

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Washtenaw County		County Washtenaw	
Audit Date 12/31/05		Opinion Date 3/02/06		Date Accountant Report Submitted to State: 3/22/06	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

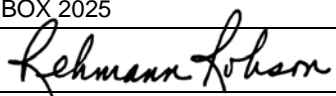
1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).	X		

Certified Public Accountant (Firm Name) REHMANN ROBSON GERALD J. DESLOOVER, CPA				
Street Address 5800 GRATIOT, PO BOX 2025		City SAGINAW	State MI	Zip 48605
Accountant Signature 				

WASHTENAW COUNTY, MICHIGAN
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2005

Prepared by the Finance Department

WASHTENAW COUNTY
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2005

BOARD OF COMMISSIONERS

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FINANCE DIRECTOR

Peter Ballios

INDEPENDENT AUDITORS

Rehmann Robson

WASHTENAW COUNTY
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2005

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COMPREHENSIVE ANNUAL FINANCIAL REPORT
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Introductory Section



COUNTY ADMINISTRATOR

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March 1, 2006

**To the Board of Commissioners and the Citizens of
Washtenaw County:**



The Comprehensive Annual Financial Report (CAFR) of Washtenaw County for the year ended December 31, 2005, is submitted herewith. It was prepared by staff in the Finance Department with significant assistance from the accounting personnel in the Treasurer's Office, Drain Commissioner's Office, Public Works, Road Commission, Community Support and Treatment Services, Public Health, and other County departments. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the County.

State law requires that every general-purpose local government publish within six months of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended December 31, 2005.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatement.

Rehmann Robson, Certified Public Accountants, have issued an unqualified ("clean") opinion on the Washtenaw County's financial statements for the year ended December 31, 2005. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

PROFILE OF THE GOVERNMENT

Washtenaw County, incorporated in 1827, is located in the southeast region of Michigan's Lower Peninsula, approximately 40 miles west of Detroit. It is the sixth largest county in the State of Michigan, with an estimated 2005 population of 345,207. Sixty-five percent of the County's population resides in four main areas. Its major cities are Ann Arbor and Ypsilanti, with estimated populations of 112,837 and 21,848, respectively. The County's two largest townships are Ypsilanti and Pittsfield, with estimated populations of 52,872 and 34,070, respectively. It covers an area of approximately 710 square miles. The County seat is located in the City of Ann Arbor. Washtenaw County is empowered to levy a property tax, the primary source of funding, on both real and personal property located within its boundaries.

The governmental structure of Washtenaw County is based upon the State Constitution and the general laws of the State of Michigan. The County's legislative body, and its administrative body for many functions, is the County Board of Commissioners. The Board consists of eleven commissioners elected by direct vote from single-member districts every two years. In addition to the Board of Commissioners, there are fifteen elected officials serving the County in judicial, administrative, or staff officer roles. An organization chart depicting the County structure is shown on the page following this letter.

Washtenaw County provides a full range of services in the following community of interest areas: public safety and justice, emergency preparedness and response, planning and environment, housing and homelessness, health, children's well-being, civic infrastructure, and support services. The County is responsible for the management and financing of these operations. Other services are provided through legally separate entities. The Washtenaw County Building Authority, although legally separate, functions as a department because its sole purpose is to finance and construct the County's public buildings, and therefore has been included as an integral part of the County's financial statements. Washtenaw County is also financially accountable for five legally separate component units: Department of Public Works Projects, Drain Commissioner, Hazardous Material Response Team Authority, Brownfield Redevelopment Authority and Road Commission, all of which are reported separately within the County's financial statements. Additional information on all of these legally separate entities can be found in the notes to the financial statements (See Note I.A.).

The Board of Commissioners is required to adopt a final operating budget prior to the beginning of each fiscal year. This annual budget serves as the foundation for Washtenaw County's financial planning and control. The budget is approved and budgetary control is exercised at the department level. Expenditures may not exceed budgeted appropriations at the department level. Departments are authorized to make budget adjustments up to \$10,000 within established categories of their budget. The County Administrator is authorized to make budget adjustments within and between categories of budgets up to \$100,000 or 10% of the budget, whichever is less. Budget adjustments greater than this must be approved by the Board of Commissioners.

Local Economy

Washtenaw County's vibrant economy is centered on five main industry clusters. Major industries located within the government's boundaries or in close proximity include automotive components, life sciences, printing and print technology, small tech, and information technology. In addition, many high quality educational institutions, most notably the University of Michigan and Eastern Michigan University, and healthcare facilities are located within our borders. The County also is a significant economic presence thanks to the vast array of services provided by more than 1,200 employees.

Because of its location in a region with a varied economic base, unemployment is consistently below the state and national averages, 6.8 and 4.9 percent respectively. During the first half of the last decade, the unemployment rate decreased from 2.3 percent (1996) to a decade low of 1.6 percent (2000). Although Washtenaw County has one of the healthiest economies in the state, manufacturing layoffs and job losses in trade, transportation, and utilities affected the local unemployment rate. Since 2000, the unemployment rate steadily rose to a decade high and current rate of 4.3 percent (2005).

Unemployment is expected to remain below the state and national averages for two reasons. First, it is estimated that the labor force in the local region will continue increasing 3 percent annually for each of the next several years due to continued population growth and new entrants, high school and college graduates, into the work force. Second, above average employment growth rates in the region are projected among health care, professional, construction and repair, management, sales, and service occupations. Jobs in the County are expected to increase by 39,190 or 14.8 percent by 2012.

Washtenaw County has maintained strong population growth over the past two decades. This growth is expected to continue in the foreseeable future. Our 2000 Census population was 322,770. The estimated 2030 population is 448,020. Over 41% of our residents 25 years and older have completed four or more years of college. The median household income of our residents is over 16% higher than that of the State of Michigan and over 23% higher than the United States as a whole. Personal income figures for our citizens have risen significantly in recent years. This indicates a healthy economy and a higher standard of living for our residents.

Washtenaw County's total equalized value of taxable property has more than doubled over the last ten years. The County remains in good financial condition, as is demonstrated by the financial statements and schedules included in this report. The County's total equalized value of taxable property to fund the County's 2005 operations (the 2004 valuation) was approximately \$16.3 billion, an increase over the prior year of \$1.3 billion, or roughly 8.4%. The economic base of the County is continuing to increase. The 2005 valuation (to fund 2006 operations) shows a 7.5% increase over the 2004 valuation.

During the past five years, the government's expenses related to judicial, general government, public safety, health and social services have increased in amount, but have consistently remained within two percent of their category of total expenses (a five-year average of 13.6 percent, 10.6 percent, 27.4 percent, 22.0 percent and 15.7 percent, respectively). Judicial expenses increased for trial court operations and activities. General government expenses increased for facilities management because of higher utility costs, and risk management because of legal counsel and attorney fees for pending lawsuits. In the case of public safety, much of the increase reflects increased staffing levels and additional medical services, food and supplies being needed due to the elevated number of inmates. During jail overcrowding situations, the County must board inmates out to other jurisdictions which also contribute to cost increases. Increased costs for health and social services are products of continuing quality services and programs for at risk populations.

The growth in parks and recreation expenses over the past five years reflects an increase in recreational activities and programs, as well as major land acquisitions under the Natural Areas Preservation program and development of the 35-mile Border-to-Border Trail, a non-motorized multi-use trail connecting to Livingston County in the north to Wayne County in the southeast.

During the past five years, the government's expenses related to public works have decreased not only in amount, but also as a percentage of total expenses (a five-year decrease of 47 percent). This decrease is due to the discontinuation of the solid waste revenue sharing program.

During the same five-year period, charges for services, while continuing to increase in amount, have actually decreased as a percentage of total revenue (a five-year decrease of 3 percent). The reason for this decline is the relative increase in expenses related to services that are not supported by fees and charges (e.g., public safety); thus, as taxes have increased to support these services, so has the proportion of total revenue generated by taxes.

Operating grants and contributions and property tax revenue have increased not only in amount, but also as a percentage of total revenues (a five-year increase of 42.1 percent and 64.3 percent, respectively). Operating grants and contributions revenues increased as grant awards provided additional funding of new and existing programs in the areas of health, social services, general government, and public safety activities.

Property taxes increased by approximately \$4.9 million (5.9 percent over the prior year) during 2005. This increase is the product of increased taxable values and residential growth. A majority (\$19.5 million) of the 37.4 percent increase in 2004 over the prior four years resulted because of accelerated revenue recognition pursuant to Public Act 357 of 2004, which serves as a substitute for state revenue sharing payments.

During the past five years, the government's revenues related to capital grants and contributions, and grants and contributions not restricted to specific programs have decreased not only in amount, but also as a percentage of total revenues (a five-year decrease of 81.1 percent and 93.6 percent, respectively). Decreases in both these revenue categories reflect programs that have ended, reduced funding and/or discontinued funding.

Long-Term Financial Planning

Unreserved, undesignated fund balance in the general fund (8.1 percent of total general fund expenditures and transfers out) falls within policy guidelines set by the Board of Commissioners for budgetary and planning purposes. The Board has continued its commitment to plan future budgets to meet the goal of a reserve for subsequent years representing 8.0% of General Fund expenditures and transfers out.

The Board of Commissioners has committed to ensure the long-term fiscal stability of the County. The County has operated very deliberately over the past several years, making sound financial decisions to keep from having to react to a crisis situation. However, the 2006/07 adopted budget includes the use of certain non-General Fund reserves and the extra property tax revenue realized from the shift from a December to July tax levy as a means to stabilize the organization. The real challenge will be in 2008.

Projections over the next five years assume an expenditure reduction of nearly \$1.7 million by 2008. The reduction will be addressed through four identified cost saving measures that must be researched and acted upon prior to the adoption of the 2008/09 budget, including: additional police services revenue by moving to an incremental cost model; savings in salary, medical and pension costs through the identification of cost-containment strategies and negotiated labor contracts; re-evaluating the commitment to the human services departments for personnel costs; and determining if the policy to freeze/waive the cost allocation plan for human services and county grants can continue.

The County continues to struggle with the obligation to maintain our current infrastructure while striving to advance systems integration, which typically involved additions and modifications to existing infrastructure. The primary struggle revolves around the prioritization of funding for projects within fiscal constraints. There simply is not enough money to do everything that is needed, so difficult decisions must be made. Ongoing maintenance and operating costs must be provided for current business to continue. The Board of Commissioners has continued with the appropriations to the County's capital budgets, including 1/8th mill for building repair and maintenance.

The County has advanced significantly in its efforts to evaluate its operations, focus on who does what best, and identify its customer needs. These same concepts will carry Washtenaw County through these tough economic times as they continue into the future. The primary focus will be continued systems integration with Communities of Interests coupled with internal cost saving measures.

Relevant Financial Policies

In October 2004, the State legislature passed legislation that shifted the timing of property tax payments to create a revenue stream that, for the next ten years or so, will offset the reduction in state revenue sharing. The measure gradually moves up property tax collections from the winter

to the summer over three years, this beginning July, 2005. Counties will be able to take from this pool the exact amount of funding that would have been available through state revenue sharing. Specifically, the County will be able to draw monies from this fund equal to fiscal 2004 state revenue sharing payments adjusted for inflation.

Major Initiatives

There are many internal and external variables that limit the County's financial outlook. These constraints impact the County's ability to fund requests for enhancements or increases in resource allocations. Several factors have made the overall cost of doing business higher than the past. The major influences on the fiscal environment of the County are:

- ❑ ***Public Safety & Justice Initiative*** – This initiative began during 2004 with the establishment of the Criminal Justice Collaborative Council (CJCC) and the development of a comprehensive strategic plan for ending jail overcrowding and enhancing the public safety and justice system. This plan was developed through many months of conversation at all levels of the organization. Staff from many parts of the organization came together, including the Sheriff's Department, Courts, Community Support and Treatment Services and Support Services. The ongoing impact on the budget was realized in February 2005 with the defeat of the proposed millage to fund the initiative. Over the next several months, the County staff, Administrator, and Board of Commissioners determined how to proceed. A revised plan was developed that was a scaled-down version of the original that focused on more immediate short-term needs of the system. On August 3, 2005, the Board of Commissioners adopted a plan that would expand jail beds, upgrade support areas within the jail, provide for a new district court and allow for alternative sanctions through a probation residential center and mental health diversion program.
- ❑ ***Police Services Methodology Review*** – The conversation about the appropriate way in which to offer police services has been ongoing for many years. In 2000, the Board of Commissioners adopted a new methodology for contracting police services. According to this policy, area townships and cities can contract with the Sheriff to provide police services and the Board will subsidize these contracts at a rate of .5 mills. The costs associated with providing these services have been much higher than anticipated, resulting in a higher subsidization rate than originally planned and budgeted. As police services are not mandated, but continue to be a large commitment of County dollars, the Board of Commissioners began conversations once again as to the future of contract policing. The commitment is to move the County to an "Incremental Cost Model" whereby entities may contract with the County for an individual service as opposed to the current "Police Service Unit" concept where an entity contracts for a unit and receives all associated services. This new approach is being established and will be implemented in 2008/09.

- ❑ ***Jail Overcrowding Costs*** – The jail has been operating in an overcrowding environment for the past several years. This greatly influences the costs of jail operations. First, the County boards out these additional inmates when possible and pays a per diem to the facility receiving the County inmates. Second, the higher number of inmates requires more staff supervision, food and supplies, and medical services. In addition, due to a variety of factors, the characteristics of jail inmates has become such that there is an increased need for medical and psychological treatment. At the same time, costs for these services have increased. It is estimated that overcrowding and medical cost increases will continue unless the system is improved. The Public Safety & Justice Initiative will provide strategies to reduce the inmate population and better manage jail overcrowding.
- ❑ ***Increased Appropriations/New Initiatives*** – Given the economic conditions, very few enhancements or new programs were added to the budget. Based on the Board of Commissioner focus areas, the following adjustments were approved in the 2006/07 budget:
- **Day Break Program (Juvenile Substance Abuse)** – This program was established in 2004 in response to a desire by the trial courts and the County to offer direct services for juveniles with substance abuse issues. It has proven to be very successful offering great assistance to juveniles in need and impacting the need for institutional placement.
 - **Trial Court** – Two significant enhancements include a new position for technology support and continued focus on community corrections to continue advancing plans developed to assist with jail overcrowding.
 - **Housing/Community Development** – In 2004, the County and the City of Ann Arbor joined together to create one community development office focused on providing affordable housing to those citizens in need and moving towards the vision of ending homelessness in Washtenaw County. The majority of the funding for these efforts lies in federal and state revenue that come with many restrictions on how the monies can be utilized. An increased appropriation provides flexibility with operating costs and a pool of dollars for affordable housing projects as they are identified.
 - **SPARK** – This is a new community partnership initiated by the University of Michigan in 2005 as a means to utilize the vast research avenues and talents located within the County. It will focus on helping new companies with recruiting and retention, as well as making connections to venture capital and other needed services.

- **Health Care** – The County’s commitment for access to health care by all citizens has been evident throughout the past several years with the creation of the Health Improvement Plan, Washtenaw Health Plan and the Washtenaw Community Health Organization. The budget includes additional funding that will enable the expansion of services to an additional 500 individuals in need.

In addition to departmental operations, each county service is dependent on the infrastructure of space, technology and professional development. Without a strong plan in each of these areas, business will not be successful. Washtenaw County has continually progressed in its approach to providing infrastructure in an integrated manner. As with all government agencies, Washtenaw County faces the challenge of ever increasing needs and opportunities with limited resources. It is essential that these resources be used in a wise manner to serve citizens. The provision of infrastructure resources revolves around one coordinated plan with three priorities:

- **Ensuring the stability of existing infrastructure** – There is a temptation to focus resources on expansion and new capabilities at the expense of maintaining what we already have. It is crucial that the County ensures that the foundation that has been built remains solid and current with the times.
- **Business continuity** - The events of the last few years have driven home the message that we live in a fundamentally different world, today. Our reliance on technology makes it critical that those capabilities are not interrupted. The County has made great advances in making plans to ensure the critical business operations are not interrupted in the case of a disaster.
- **Systems integration** - By looking at core businesses and integrating structures and processes where possible, the County can reduce redundancies and expand the capacity of the system as a whole. The progress made in systems integration has been dramatic over the last two years with major initiatives in Support Services, Planning & Environment, and Health. A primary purpose of infrastructure is to support the transitions from individual departments to integrated service delivery systems.

Finally, an infrastructure plan with technology, capital improvement, and professional development components provide strategies for employees, programs and departments in support of the organizational goals of Washtenaw County. Therefore, the governance of our infrastructure is critical in ensuring that our delivery systems are efficient and effective and that our employees have what they need to provide world class services.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Washtenaw County, Michigan for its comprehensive annual financial report (CAFR) for the fiscal year ended December 31, 2004. This was the 15th consecutive year that the County has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the County must publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition to the Certificate of Achievement, the County also received the GFOA's Distinguished Budget Presentation Award for its budget for the biennium period beginning January 1, 2005. In order to qualify for the Distinguished Budget Presentation Award, the County's budget document was judged as a policy document, a financial plan, an operations guide, and a communication device.

The preparation of this report on a timely basis was made possible by the dedicated service of Finance Department accounting staff and the accounting personnel from the Treasurer's Office, Drain Commissioner's Office, Public Works, Road Commission, Community Support and Treatment Services, Public Health and other County departments, as well as advice from Rehmann Robson. I wish to express my appreciation and acknowledge those who assisted and contributed to the preparation of this report:

Dan Ackerman
Roberta Allen
Terry Ballantyne
Kelly Belknap
Don Bilbey

Sue Bos
Peter Collinson
Dick Eckoff
Tina Gavalier
Janet Gilkey

Joe Moore
Kirsten Osborn
Pat Willis
Xiaohong Wu

Credit also must be given to the Board of Commissioners for their unfailing support for maintaining the highest standards of professionalism in the management of Washtenaw County's finances.

Sincerely,



Robert E. Guenzel
County Administrator/Controller

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Washtenaw County,
Michigan

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

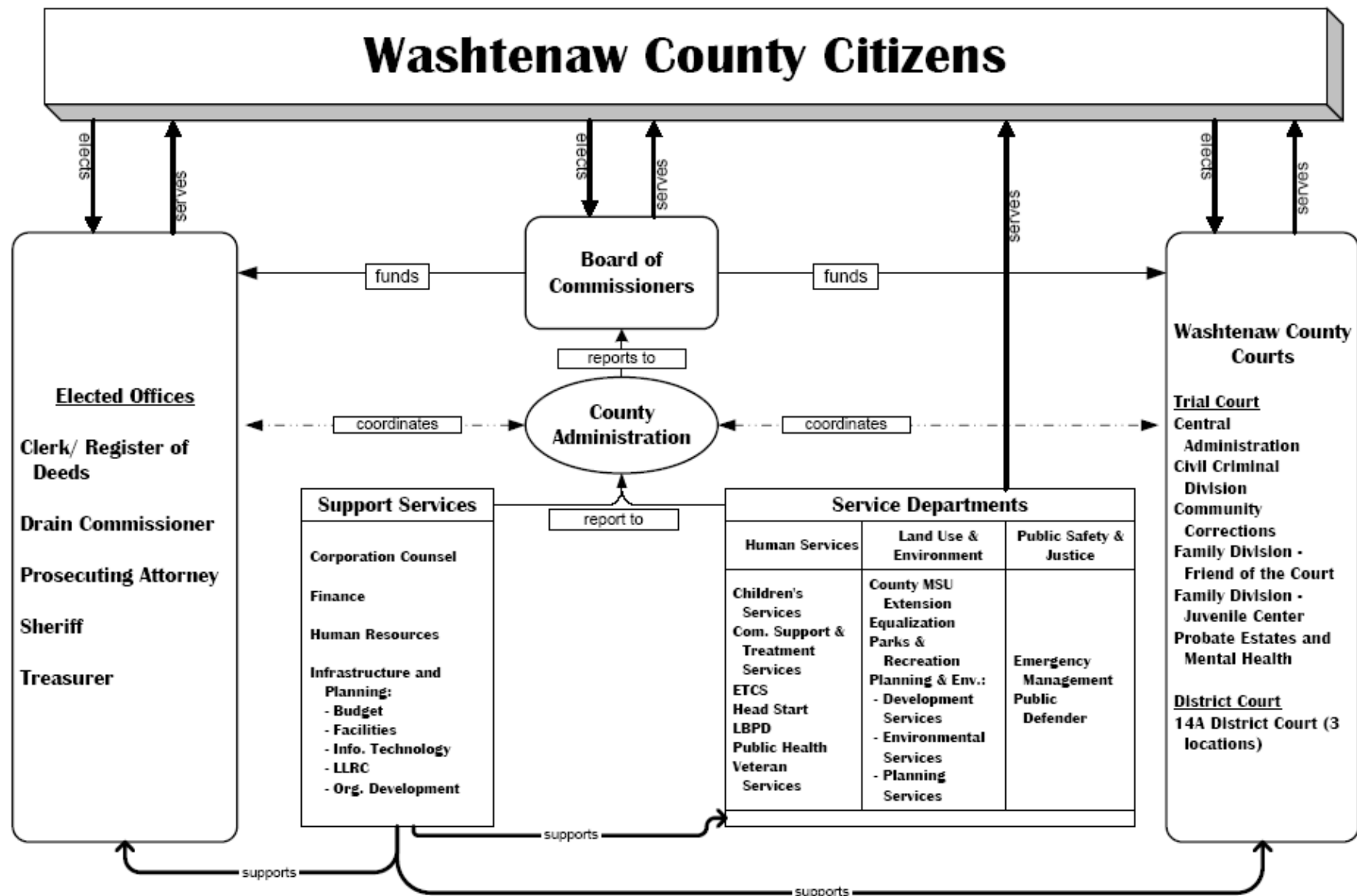


Carla E. Perry

President

Jeffrey R. Enner

Executive Director



WASHTENAW COUNTY

PRINCIPAL OFFICIALS

At December 31, 2005

Board of Commissioners

Wesley Prater, Chair

Barbara Levin Bergman
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Jeff Irwin
Martha Kern

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Timothy P. Connors
Nancy C. Francis
John N. Kirkendall

Melinda Morris
Donald E. Shelton
J. Cedric Simpson
David S. Swartz
Kirk W. Tabbey

Clerk/Register of Deeds

Lawrence Kestenbaum

Drain Commissioner

Janis A. Bobrin

Prosecuting Attorney

Brian Mackie

Sheriff

Daniel J. Minzey

Treasurer

Catherine McClary

County Administrator

Robert E. Guenzel



Financial Section



REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP



INDEPENDENT AUDITORS' REPORT

March 2, 2006

To the Board of Commissioners
of Washtenaw County
Ann Arbor, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of **WASHTENAW COUNTY, MICHIGAN** as of and for the year ended December 31, 2005, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Washtenaw County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Employment Training and Community Services Fund, which represents 0.4% of the assets and 7.5% of the revenues of the aggregate remaining fund information and 0.5% of the assets and 4.2% of the revenues of the governmental activities. Also, we did not audit the financial statements of the Washtenaw County Road Commission, which represents 70.5% of the assets and 88.8% of the revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports were furnished to us, and our opinion, insofar as it relates to the amounts included for the Employment Training and Community Services Fund and Washtenaw County Road Commission, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of **Washtenaw County, Michigan**, as of December 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General Fund and Major Special Revenue Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 2, 2006 on our consideration of **Washtenaw County, Michigan's** internal controls over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3-16 and the employees' retirement system information on page 72 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Washtenaw County's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based upon our audit and the reports of other auditors, are fairly presented, in all material respects, in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on them.

A handwritten signature in black ink, reading "Lehmann Lobson". The signature is written in a cursive, flowing style.



**Management's Discussion
and Analysis**

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Washtenaw County, Michigan we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended December 31, 2005. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-ix of this report, and the accompanying basic financial statements.

Financial Highlights

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$162,227,576 (*net assets*). Of this amount, \$77,228,596 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The County's total net assets increased by \$23,888,107 during 2005. Approximately half of this increase is attributable to the main program revenue area of operating grants and contributions and the general revenue area of property taxes.
- As of the close of the current fiscal year, the County's governmental funds (this includes the general fund and special revenue, debt service and capital projects funds) reported combined ending fund balances of \$77,945,189, an increase of \$11,044,091 in comparison with the prior year. Ninety percent of the ending fund balances are subject to the underlying limitations applicable to the particular special revenue, debt service and capital project funds. Approximately one tenth of this total amount, \$7,465,485, is *available for spending* at the government's discretion only (general fund *unreserved, undesignated fund balance*).
- The general fund had a surplus of \$439,533 for 2005. At the end of the year, unreserved fund balance for the general fund was \$7,465,485, or approximately 8.1 percent of total general fund expenditures and transfers out. Total fund balance for the general fund was \$8,346,749.
- The County's investment in capital assets increased by \$8,707,884 during 2005.
- The County's total bonded debt, excluding delinquent tax notes, decreased by \$2,505,000 during the current fiscal year.

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the County as a whole (government-wide financial statements) and present a longer-term view of the County's finances. Fund financial statements tell how these services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the County's operations in more detail than the government-wide statements by providing information about the County's most significant funds.

The remaining statements provide financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of the government. The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information. This is limited to a schedule concerning the County's progress in funding its obligation to provide pension benefits to certain employees.

Reporting the County as a Whole

The Statement of Net Assets and the Statement of Activities. One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of this year's activities?" The Statement of Net Assets and the Statement of Activities report information about the County as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the County's *net assets* and changes in them. One can think of the County's net assets – the difference between assets and liabilities – as one way to measure the County's financial health, or *financial position*. Over time, *increases or decreases* in the County's net assets are one indicator of whether its *financial health* is improving or deteriorating. During 2005, the net assets of the County increased by \$23.9 million.

The Statement of Net Assets and the Statement of Activities, present information about the following:

Governmental activities. All of the County's basic services are considered to be governmental activities, including legislative, judicial, general government, public safety, public works, health, social services, culture and recreation, and other activities. Property taxes, intergovernmental revenue, and charges for services finance most of these activities.

Business-type activities. Other functions of the County that are intended to recover all or a significant portion of their costs through user fees and charges are considered to be business-type activities. These include delinquent tax collections and property foreclosures.

Component units. The County includes four legally separate entities in its financial statements: the Washtenaw County Department of Public Works Projects, the Washtenaw County Drain Commissioner, the Washtenaw County Hazardous Materials Response Authority and the Washtenaw County Road Commission. Although legally separate, these "component units" are important because the County is financially accountable for them.

Financial information for these *component units* are reported separately from the financial information presented for the primary government itself. The Washtenaw County Building Authority, although also legally separate, functions for all practical purposes as a department of the County, and therefore has been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 17-19 of this report.

Reporting the County's Most Significant Funds

Fund Financial Statements. The fund financial statements provide detailed information about the most significant funds - not the County as a whole. Some funds are required to be established by State law and by bond covenants. However, the County establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The County's two primary kinds of funds – *governmental and proprietary* – use different accounting approaches.

Governmental funds. Most of the County's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called the *modified accrual* basis of accounting, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the County's general governmental operations and the basic services it provides.

Governmental fund information helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions.

Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The County maintains 25 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, community support and treatment services, parks and recreation, revenue sharing reserve, and county capital project funds, each of which are considered to be major funds. Data from the other 20 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The basic governmental fund financial statements can be found on pages 20-28 of this report.

Proprietary funds. The County maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses enterprise funds to account for delinquent tax operations and property foreclosures. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for support services provided to other departments, which includes phone services, fleet, facilities management, insurance, duplicating and copier replacement, mail services and payroll fringe benefits. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the delinquent tax operations and other enterprise funds. Conversely, all internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of *combining statements* elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 29-32 of this report.

Reporting the County's Fiduciary Responsibilities

The County is the trustee, or *fiduciary*, for certain amounts held on behalf of others. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the County's own programs. The County's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets. The accounting used for fiduciary funds is much like that used for proprietary funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The basic fiduciary fund financial statements can be found on pages 33-34 of this report.

Additional Information

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 37-77 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. This is limited to a schedule concerning the County's progress in funding its obligation to provide pension benefits to certain employees. Required supplementary information can be found on page 78 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 79-112 of this report.

Financial Analysis of the County as a Whole

The government-wide financial analysis focuses on the net assets and changes in net assets of the County's governmental and business-type activities. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. As the following table demonstrates, the County's assets exceeded its liabilities by \$162,227,576 at December 31, 2005.

Washtenaw County's Net Assets

	Governmental activities		Business-type activities		Total	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$ 128,696,326	\$ 128,514,046	\$ 20,037,428	\$ 20,783,627	\$ 148,733,754	\$ 149,297,673
Capital assets	113,937,886	105,230,002	-	-	113,937,886	105,230,002
Total assets	242,634,212	233,744,048	20,037,428	20,783,627	262,671,640	254,527,675
Long-term liabilities outstanding	47,406,161	49,384,433	10,011,207	11,005,648	57,417,368	60,390,081
Other liabilities	42,723,293	55,635,630	303,403	162,495	43,026,696	55,798,125
Total liabilities	90,129,454	105,020,063	10,314,610	11,168,143	100,444,064	116,188,206
Net assets:						
Invested in capital assets, net of related debt	78,322,886	70,895,205	-	-	78,322,886	70,895,205
Restricted	6,676,094	6,228,085	-	-	6,676,094	6,228,085
Unrestricted	67,505,778	51,600,695	9,722,818	9,615,484	77,228,596	61,216,179
Total net assets	\$ 152,504,758	\$ 128,723,985	\$ 9,722,818	\$ 9,615,484	\$ 162,227,576	\$ 138,339,469

By far, the largest portion of the County's net assets, \$78,322,886 (48 percent), is its investment in capital assets (i.e., land, buildings, vehicles and equipment), net of any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the County's net assets, \$6,676,094 (4 percent), represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets*, \$77,228,596 (48 percent), may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the County is able to report positive balances in all three categories (invested in capital assets-net of related debt, restricted and unrestricted) of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior year.

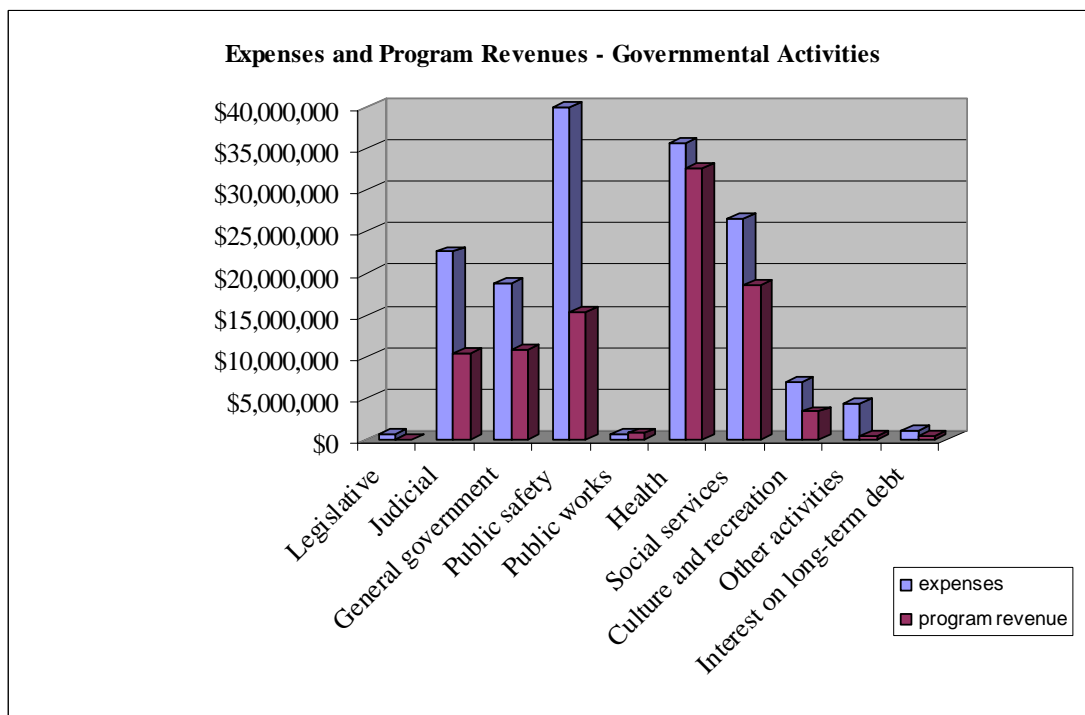
Washtenaw County's Changes in Net Assets

	Governmental activities		Business-type activities		Total	
	2005	2004	2005	2004	2005	2004
Revenue:						
Program revenue:						
Charges for services	\$ 32,766,765	\$ 30,588,395	\$ 3,048,951	\$ 2,683,583	\$ 35,815,716	\$ 33,271,978
Operating grants and contributions	60,027,293	53,642,415	27,424	-	60,054,717	53,642,415
Capital grants and contributions	211,159	960,689	-	-	211,159	960,689
General revenue:						
Property taxes	87,864,506	82,991,160	-	-	87,864,506	82,991,160
Grants and contributions not restricted to specific programs	457,637	3,003,251	-	-	457,637	3,003,251
Other	2,558,336	1,512,323	(141,666)	(515,993)	2,416,670	996,330
Total revenue	183,885,696	172,698,233	2,934,709	2,167,590	186,820,405	174,865,823
Expenses:						
Legislative	722,185	647,373	-	-	722,185	647,373
Judicial	22,588,152	21,443,309	-	-	22,588,152	21,443,309
General government	18,760,566	15,145,084	-	-	18,760,566	15,145,084
Public safety	45,341,263	42,748,613	-	-	45,341,263	42,748,613
Public works	608,029	611,126	-	-	608,029	611,126
Health	35,694,857	31,869,261	-	-	35,694,857	31,869,261
Social services	26,681,106	22,006,150	-	-	26,681,106	22,006,150
Culture and recreation	6,891,231	7,064,861	-	-	6,891,231	7,064,861
Other activities	4,336,497	4,036,568	-	-	4,336,497	4,036,568
Interest on long-term debt	1,027,653	1,273,833	-	-	1,027,653	1,273,833
Delinquent tax collections	-	-	905,801	430,839	905,801	430,839
Total expenses	162,651,539	146,846,178	905,801	430,839	163,557,340	147,277,017
Increase in net assets before transfers	21,234,157	25,852,055	2,028,908	1,736,751	23,263,065	27,588,806
Transfers	2,546,616	2,515,704	(1,921,574)	(2,405,084)	625,042	110,620
Increase in net assets	23,780,773	28,367,759	107,334	(668,333)	23,888,107	27,699,426
Net assets - beginning	128,723,985	100,356,226	9,615,484	10,283,817	138,339,469	110,640,043
Net assets - end of year	<u>\$ 152,504,758</u>	<u>\$ 128,723,985</u>	<u>\$ 9,722,818</u>	<u>\$ 9,615,484</u>	<u>\$ 162,227,576</u>	<u>\$ 138,339,469</u>

The County's net assets increased by \$23.9 million during the current fiscal year; \$23.8 million increase for governmental activities and \$0.1 million increase for business-type activities.

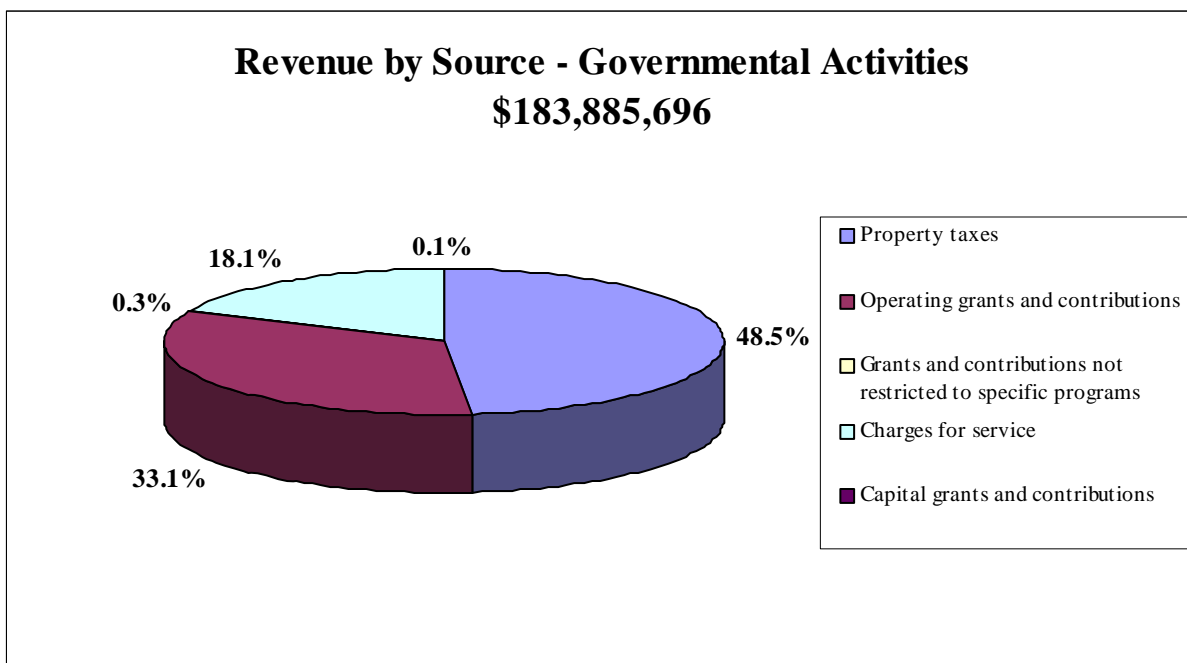
Governmental activities. Overall, total revenues exceeded total expenses by \$21.2 million, thereby accounting for 88.7 percent of the total growth in the net assets during 2005. Total revenues for governmental activities increased \$11.2 million over the prior year. Key elements of this increase are as follows:

- Operating grants and contributions for governmental activities increased by \$6.4 million (11.9 percent) during the year. Grant awards furnished additional resources to supplement programs in the areas of health, social services, general government, and public safety activities.
- Property taxes increased by approximately \$4.9 million (5.9 percent) during the year. This increase is the product of increased taxable values and residential growth.
- Charges for services increased by approximately \$2.2 million (7.2 percent) during the year because of health, general government, and culture and recreation activities. Over half of the increases were in health programs for immunizations, maternal support and substance abuse services. Additional revenue was brought in through real estate transfers due to new mortgages and refinancing, as well as e-commerce for vital records and user fees for culture and recreation programs at Pierce Lake Golf Course and Rolling Hills County Park.
- Grants and contributions not restricted to specific programs decreased by \$2.5 million (83.5 percent) in 2005 due to less miscellaneous, refund, reimbursement and rental revenues during the year.



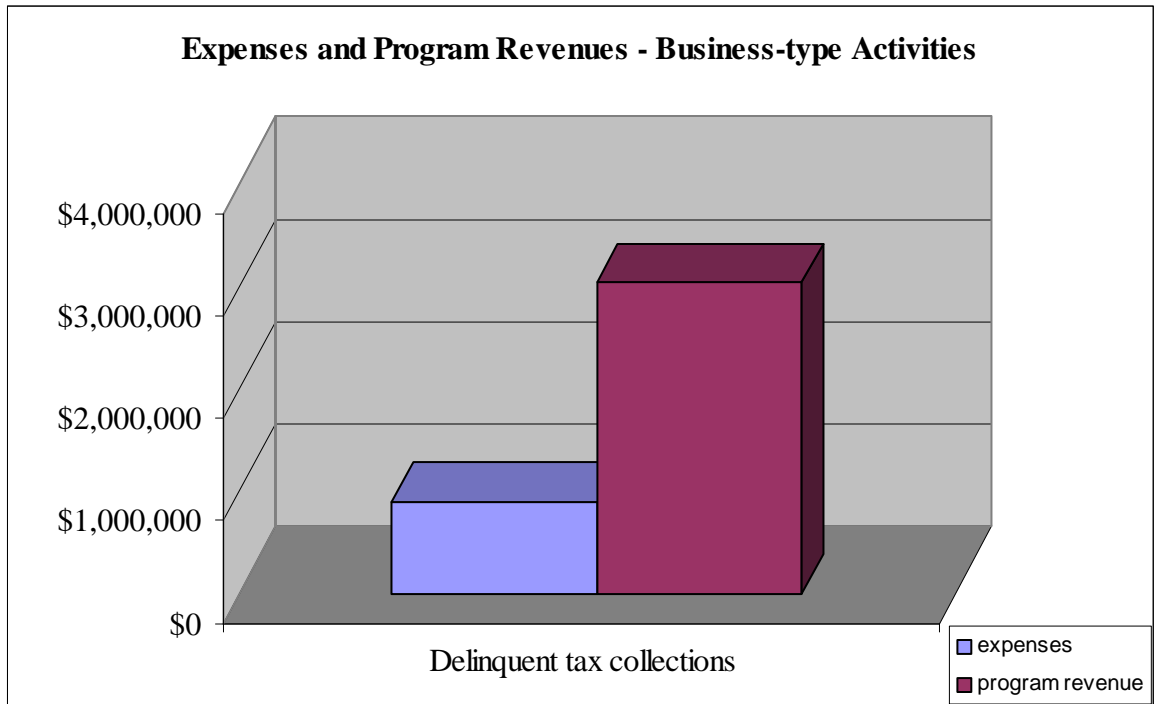
Overall, total expenses for governmental activities increased \$15.7 million during the year. The functional areas that comprise most of this increase are social services (\$4.6 million), health (\$3.8 million), general government (\$3.6 million), public safety (\$2.6 million) and judicial (\$1.1 million) activities.

Cost increases in the social services area were for children's well-being, community development, community support and treatment services, employment training and community services, and housing and homelessness initiatives. Costs increased in health operations because of the County's initiative to provide residents affordable insurance and health care services. Costs increased in Sheriff's operations because of increased staffing levels and additional medical services, food and supplies being needed due to the elevated number of inmates. Jail overcrowding also increases costs when the County boards inmates out to other jurisdictions. Costs increased in judicial activities for trial court operations. Other increases closely paralleled inflation and the growth in demand for services.



Business-type activities. Business-type activities increased the County's net assets by \$0.1 million. Key elements of the current year increase are as follows:

- Charges for services revenue for business-type activities increased \$365,368 in comparison to the prior year due to higher delinquent tax and property foreclosure activity during 2005. Expenditures increased by \$474,962 due to salary and fringe benefit expenses for collection activity.



Financial Analysis of the County's Funds

As noted earlier, Washtenaw County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the County's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the County's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$77,945,189, an increase of \$11,044,091 in comparison with the prior year. Ninety percent of the ending fund balances are subject to the underlying limitations applicable to the particular special revenue, debt service and capital project funds. The other one tenth of this total amount, \$7,465,485, is *available for spending* at the government's discretion only (general fund *unreserved, undesignated fund balance*). The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed 1) for land acquisition under the natural area preservation program, or 2) for long-term advances and prepaid items.

The general fund is the chief operating fund of the County. At the end of the current fiscal year, unreserved fund balance of the general fund was \$7,465,485, while total fund balance was \$8,346,749. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 8.1 percent of total general fund expenditures and transfers out. This level of unreserved fund balance in the general fund meets the Board of Commissioners formal adopted policy, as well as the Government Finance Officer's Association recommended practices.

The fund balance of the County's general fund increased by \$439,533 during the current fiscal year. This is primarily attributable to growth in property taxes, charges for services and grants and contributions, as previously discussed above, relative to government-wide governmental activities.

The financial position of the community support and treatment services fund improved by \$821,103 during 2005. Total fund balance at the end of the year is \$904,322.

The parks and recreation fund had a total fund balance of \$17,234,808, which increased by over \$2.2 million in the current year. The growth in fund balance is attributable to a voter-approved millage for the purpose of acquiring land. Fund balance will be used in subsequent years as the land acquisitions are completed.

The revenue sharing reserve fund had a total fund balance of \$29,192,442. This fund is mandated by the State of Michigan and accounts for accelerated property tax collections to serve as a substitute for state revenue sharing payments. Three annual payments, each equal to 1/3 of the annual property tax levy, must be placed in the fund, one third of the tax levy was assessed in July 2005, two thirds will be assessed in 2006, and finally the entire tax levy will be assessed in July 2007. Beginning in late 2004 and continuing until the fund balance is exhausted, the County will be able to draw monies from this fund equal to the fiscal 2004 state revenue sharing payments adjusted for inflation.

The county capital projects fund has a total fund balance of \$14,890,649, all of which will be used for the remodeling and modification of existing facilities. In addition, improvements to existing facilities such as replacement of roof systems, carpeting, and other interior finishes are also included. The net decrease in fund balance during the current year in the county capital projects fund was \$4,955,179.

Proprietary funds. The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the delinquent tax, other enterprise and internal service funds at the end of the year amounted to \$8,243,609, \$1,479,209 and \$3,673,475, respectively. The delinquent tax fund had a decrease in net assets for the year of \$84,730, whereas the other enterprise funds had an increase of \$192,064 and the internal service funds had an increase of \$1,511,889. Other factors concerning the finances of the delinquent tax fund have already been addressed in the discussion of the County's business-type activities.

General Fund Budgetary Highlights

General fund revenues (including transfers in) increased by \$2,832,477 from the original to the final budget. This was attributable to an increase in the budget amount of \$1.9 million for fees and services, primarily due to changes in accounting practices or new pass through funding. Besides those revenues that just ran a surplus, such as court costs, filing fees, other related charges and real estate transfers, the major changes were an increase in both revenue and expenditures of approximately \$1 million due to substance abuse treatment services and school elections.

An intergovernmental revenue budget decrease in the amount of \$5.1 million was due to new legislation, as discussed previously, regarding the state revenue sharing budget amount being reduced by \$5,778,734 and offset by an increase of the same amount for a transfer in from the revenue sharing reserve fund. Other intergovernmental adjustments included an increase of \$358,750 for additional state grants, judicial aid and marine safety revenues. There was an increase in the amount of \$281,803 for local contributions to the Washtenaw Health Plan program. In addition, there was an increase in the amount of \$201,000 for property tax revenues. Various other small increases and decreases in budgeted revenues took place also.

There was a corresponding \$2,832,477 increase (3.2%) between the original and final amended expenditure budget (including transfers out). There was a \$1.8 million increase for public safety activities, primarily due to personnel services for additional positions and overtime, and food and medical contracts because the jail population has been over capacity. In addition, when the jail is overcrowded, the County must board inmates out to other jurisdictions which also contributed to this increase.

There was \$754,908 in allocated increases in general government activities for clerk/register of deeds (personnel services for temporary and additional positions to handle the increased volume of documents processed which is offset by a revenue surplus mentioned above), human resources (personnel services for temporary increases in personnel, office supplies and the update of the equal employment opportunity plan, as well as the reallocation of staff between units in organization development). It should also be noted that general government activities involving planning, environment and drain commissioner operations have been improved through an integrated systems approach that included reallocating staff between departments, reorganization of departments and technology enhancements which resulted in a decreased allocation in the amount of \$340,000. Various other small increases and decreases in budgeted expenditures also took place.

There was a net increase of \$209,271 in other unallocated expenditures and transfers out. The major reason for this was that certain budgeted transfers out were not made during 2005. It should also be noted, that other unallocated expenditures were designated as transfers out in the original budget, then reclassified later in the year as other services and charges, and have final budget amounts in that category, but no original budget amounts.

Overall during the year, actual general fund revenues, including other financing sources, were more than the final budget. Actual general fund expenditures, including other financing uses, were less than the final budget. Actual revenues were higher than actual expenditures. This resulted in an increase in the actual fund balance of \$439,533, which was more than the final amended budget amount of \$250,000.

Capital Asset and Debt Administration

Capital assets. The County's investment in capital assets for its governmental activities as of December 31, 2005, amounted to \$113,937,886 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, and machinery and equipment. The total increase in the County's investment in capital assets for the current fiscal year was 8.3 percent. The County's business-type activities have no capital assets.

Major capital asset events during the current fiscal year included the following:

- Parks and Recreation acquired land in the amount of \$4.6 million under the Natural Areas Preservation Program.
- Construction in progress as of the close of the fiscal year had a balance of \$476,723. The County has active construction projects that include the Washtenaw County Space Plan Capital Improvement for architect, design services, and a border-to-border trail development under the culture and recreation activity. The decrease in construction in progress from the prior year is because of the completion of energy improvements to various buildings throughout the County.
- Various building additions/improvements, including the energy conservation improvements mentioned above, as well as the purchase of two new buildings (2215 Hogback Road, Ann Arbor, and 750 Towner, Ypsilanti) were completed during the year resulting in a net increase to capital assets of \$6.3 million.
- Other capital improvements resulted in a net increase to capital assets of \$1.3 million.
- Machinery and equipment as of the close of the fiscal year had a balance of \$4.7 million. The decrease from the prior year is a result of a smaller amount of new purchases than the amount of disposals.

Washtenaw County's Capital Assets (net of depreciation)

	Governmental activities	
	<u>2005</u>	<u>2004</u>
Land	\$ 19,166,242	\$ 14,602,684
Construction in progress	476,723	2,183,486
Buildings	80,735,820	74,442,185
Improvements other than buildings	8,859,644	7,575,825
Machinery and equipment	<u>4,699,457</u>	<u>6,425,822</u>
Total	<u>\$ 113,937,886</u>	<u>\$ 105,230,002</u>

Additional information on the County's capital assets can be found in note III.C on pages 57-60 of this report.

Long-term debt. At the end of the current fiscal year, the County had total bonded debt outstanding of \$45,615,000. This entire amount comprises debt backed by the full faith and credit of the County.

Washtenaw County's Outstanding Debt
General Obligation

	Governmental activities		Business-type activities		Total	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
General obligation bonds	\$ 35,615,000	\$ 38,120,000	\$ -	\$ -	\$ 35,615,000	\$ 38,120,000
Delinquent tax notes	-	-	10,000,000	11,000,000	10,000,000	11,000,000
Total	<u>\$ 35,615,000</u>	<u>\$ 38,120,000</u>	<u>\$ 10,000,000</u>	<u>\$ 11,000,000</u>	<u>\$ 45,615,000</u>	<u>\$ 49,120,000</u>

The County's total debt decreased by \$3,505,000 (7.1 percent) during the current fiscal year. The County retired debt of \$13,980,000 in general obligation bonds and \$11,000,000 in delinquent tax notes during 2005.

The only new borrowing during the year was \$11,475,000 in general obligation bonds for governmental activities for the County's space plan projects and \$10,000,000 in delinquent tax notes for business-type activities. Debt service requirements for general obligation bonds of \$2,965,000 and interest of \$1,198,125 are payable during 2006. The principal payment for delinquent tax notes of \$10,000,000 and an interest payment of \$345,173 are due February 9, 2006.

The County has an "Aa2" rating for both general obligation bonds and tax notes from Moody's. The County has an "AA" rating for both general obligation bonds and tax notes from Standard & Poor's. Finally, the County has a "Prime-1" rating for general obligation tax notes from Fitch.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation (i.e., State Equalized Value). The current debt limitation for the County is \$1,753,462,361, which is significantly in excess of the County's outstanding general obligation debt.

Additional information on the County's long-term debt can be found in note III.G on pages 63-68 of this report.

Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the County's biennial budget for the 2006 and 2007 fiscal years:

- The sluggish Michigan economy downturn and prior stock market declines have a continuing impact on the County's fiscal operations. Stock market declines have increased the County's funding obligation for its defined benefit pension plans. This trend will continue into the foreseeable future.
- The County has continued its commitment to the 3% annual salary increase for all employees, as negotiated in union contracts, as well as fringe benefit – health care, retirement, and others - rate increases.
- The unemployment rate for the County is currently 4.3%, the same rate as a year ago. This compares favorably to the state's average unemployment rate of 6.8% and the national average rate of 4.9%.
- Michigan has two constitutional laws that limit property tax growth to the rate of inflation or a maximum allowable increase in an assessment of 5.0%, whichever is smaller. For the 2006/2007 budget the applicable inflation rate is only 3.3%. Therefore, property tax revenues are budgeted to increase 6.0% in 2006 and 2007 due to new construction being added to the tax rolls and transfers of ownership.
- The State of Michigan has been dealing with projected budgetary shortfalls for the past three years and is projected to continue into the future, at least until 2008. The State has passed legislation that provides a funding mechanism to serve as a substitute for state revenue sharing payments. Annually, the County may make use of amounts equal to 2003/04 State revenue sharing payments adjusted for inflation.
- The County has committed to maintaining a general fund balance that is at least 8.0% of operating expenditures.
- Financial trends in the region compare favorably to national indices. Analysis of revenue, expenditure, operating position, debt structure, unfunded liabilities, condition of capital plant, and community needs and resources indicators are examined across time to provide a framework for objective investigation.

Contacting the County's Financial Management

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Washtenaw County Finance Department, 220 North Main Street, P.O. Box 8645, Ann Arbor, Michigan 48107-8645.



Basic Financial Statements



Government-wide Financial Statements

WASHTENAW COUNTY
Statement of Net Assets
December 31, 2005

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and pooled investments	\$ 60,798,934	\$ 10,706,524	\$ 71,505,458	\$ 16,299,831
Receivables, net	65,933,004	9,350,904	75,283,908	49,371,069
Internal balances	20,000	(20,000)	-	-
Prepaid items and other assets	1,944,388	-	1,944,388	1,295,828
Capital assets not being depreciated	19,642,965	-	19,642,965	18,054,113
Capital assets being depreciated, net	94,294,921	-	94,294,921	157,255,006
Total assets	242,634,212	20,037,428	262,671,640	242,275,847
Liabilities				
Accounts payable and accrued expenses	9,888,876	5,663	9,894,539	9,334,148
Accrued interest payable	126,737	297,740	424,477	347,363
Unearned revenue	32,707,680	-	32,707,680	-
Long-term liabilities:				
Due within one year	4,060,699	10,002,143	14,062,842	5,587,092
Due in more than one year	43,345,462	9,064	43,354,526	45,177,289
Total liabilities	90,129,454	10,314,610	100,444,064	60,445,892
Net assets				
Invested in capital assets, net of related debt	78,322,886	-	78,322,886	166,967,896
Restricted for:				
Debt service	15,591	-	15,591	1,762,263
Capital projects	6,038,045	-	6,038,045	6,147,913
Other purposes	622,458	-	622,458	-
Unrestricted	67,505,778	9,722,818	77,228,596	6,951,883
Total net assets	\$ 152,504,758	\$ 9,722,818	\$ 162,227,576	\$ 181,829,955

The accompanying notes are an integral part of these financial statements.

WASHTENAW COUNTY
Statement of Activities
Year Ended December 31, 2005

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental activities:					
Legislative	\$ 722,185	\$ -	\$ -	\$ -	\$ (722,185)
Judicial	22,588,152	3,763,939	6,685,857	-	(12,138,356)
General government	18,760,566	7,572,808	3,146,181	118,138	(7,923,439)
Public safety	45,341,263	12,110,959	3,268,451	-	(29,961,853)
Public works	608,029	167,094	484,363	93,021	136,449
Health	35,694,857	4,716,287	28,027,643	-	(2,950,927)
Social services	26,681,106	1,031,688	17,527,408	-	(8,122,010)
Culture and recreation	6,891,231	3,253,314	97,879	-	(3,540,038)
Other activities	4,336,497	150,676	311,300	-	(3,874,521)
Interest on long-term debt	1,027,653	-	478,211	-	(549,442)
Total governmental activities	162,651,539	32,766,765	60,027,293	211,159	(69,646,322)
Business-type activities:					
Delinquent tax collection	591,362	2,636,271	-	-	2,044,909
Property foreclosure	287,015	412,680	-	-	125,665
Brownfield	27,424	-	27,424	-	-
Total business-type activities	905,801	3,048,951	27,424	-	2,170,574
Total primary government	\$ 163,557,340	\$ 35,815,716	\$ 60,054,717	\$ 211,159	\$ (67,475,748)
Component units					
Department of Public Works Projects	\$ 2,682,125	\$ -	\$ -	\$ 2,068,407	\$ (613,718)
Drain Commissioner	1,344,399	63,166	-	1,064,499	(216,734)
Hazardous Materials Response Authority	45,996	34,904	26,685	-	15,593
Road Commission	25,879,960	-	29,481,135	-	3,601,175
Total component units	\$ 29,952,480	\$ 98,070	\$ 29,507,820	\$ 3,132,906	\$ 2,786,316

Continued...

WASHTENAW COUNTY
Statement of Activities (concluded)
Year Ended December 31, 2005

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Changes in net assets				
Net (expense) revenue	\$ (69,646,322)	\$ 2,170,574	\$ (67,475,748)	\$ 2,786,316
General revenues:				
Property taxes	87,864,506	-	87,864,506	-
Grants and contributions not restricted to specific programs	457,637	-	457,637	-
Unrestricted investment earnings	2,558,336	(141,666)	2,416,670	755,994
Gain on sale of capital assets	-	-	-	88,080
Transfers - internal activities	2,546,616	(1,921,574)	625,042	-
Total general revenues and transfers	93,427,095	(2,063,240)	91,363,855	844,074
Change in net assets	23,780,773	107,334	23,888,107	3,630,390
Net assets, beginning of year	128,723,985	9,615,484	138,339,469	178,199,565
Net assets, end of year	\$ 152,504,758	\$ 9,722,818	\$ 162,227,576	\$ 181,829,955

The accompanying notes are an integral part of these financial statements.



Fund Financial Statements

WASHTENAW COUNTY
Balance Sheet - Governmental Funds
December 31, 2005

	<u>General</u>	<u>Community Support & Treatment Services</u>	<u>Parks and Recreation</u>	<u>Revenue Sharing Reserve</u>	<u>County Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>							
Assets							
Cash and pooled investments	\$ 10,040,290	\$ -	\$ 18,567,608	\$ 9,895,907	\$ 12,527,527	\$ 3,425,390	\$ 54,456,722
Receivables:							
Taxes - current	20,104,380	-	9,124,209	19,296,535	-	-	48,525,124
Taxes - delinquent	464,969	-	-	-	-	-	464,969
Accounts	-	3,917,073	-	-	34,677	835,479	4,787,229
Interfund receivable	-	-	-	-	3,042,763	-	3,042,763
Due from other governments	1,444,612	-	-	-	-	6,003,314	7,447,926
Notes receivable	-	-	-	-	-	288,390	288,390
Advances to other funds	881,264	-	-	-	913,381	-	1,794,645
Prepaid items	-	-	-	-	-	32,444	32,444
<u>TOTAL ASSETS</u>	<u>\$ 32,935,515</u>	<u>\$ 3,917,073</u>	<u>\$ 27,691,817</u>	<u>\$ 29,192,442</u>	<u>\$ 16,518,348</u>	<u>\$ 10,585,017</u>	<u>\$ 120,840,212</u>
<u>LIABILITIES AND FUND BALANCES</u>							
Liabilities							
Accounts payable	\$ 403,286	\$ 304,925	\$ 642,872	\$ -	\$ 1,009,254	\$ 669,522	\$ 3,029,859
Retainage payable	-	-	-	-	606,498	-	606,498
Accrued liabilities	1,671,141	622,951	93,862	-	11,947	911,367	3,311,268
Due to other governments	-	-	-	-	-	113,755	113,755
Interfund payable	-	2,084,875	-	-	-	957,888	3,042,763
Deferred revenue	22,514,339	-	9,720,275	-	-	473,066	32,707,680
Advances from other governments	-	-	-	-	-	83,200	83,200
Total liabilities	24,588,766	3,012,751	10,457,009	-	1,627,699	3,208,798	42,895,023
Fund balances							
Reserved:							
Reserved for land acquisition	-	-	5,261,395	-	-	-	5,261,395
Reserved for long-term advances	881,264	-	-	-	913,381	-	1,794,645
Reserved for prepaid items	-	-	-	-	-	32,444	32,444
Unreserved:							
Undesignated	7,465,485	904,322	11,973,413	29,192,442	13,977,268	-	63,512,930
Undesignated, reported in nonmajor:							
Special revenue funds	-	-	-	-	-	6,551,534	6,551,534
Debt service funds	-	-	-	-	-	15,591	15,591
Capital projects funds	-	-	-	-	-	776,650	776,650
Total fund balances	8,346,749	904,322	17,234,808	29,192,442	14,890,649	7,376,219	77,945,189
<u>LIABILITIES AND FUND BALANCES</u>	<u>\$ 32,935,515</u>	<u>\$ 3,917,073</u>	<u>\$ 27,691,817</u>	<u>\$ 29,192,442</u>	<u>\$ 16,518,348</u>	<u>\$ 10,585,017</u>	<u>\$ 120,840,212</u>

The accompanying notes are an integral part of these financial statements.

WASHTENAW COUNTY
Reconciliation of Fund Balances on the Balance Sheet
for Governmental Funds to Net Assets of
Governmental Activities on the Statement of Net Assets
December 31, 2005

Fund balances - total governmental funds	\$ 77,945,189
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Amounts reported for *governmental activities* in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Add - capital assets	152,275,870
Deduct - accumulated depreciation	(40,676,320)

Other long-term assets are not available to pay for current-period expenditures and therefore are not recorded in the funds.	3,506,658
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Discounts and premiums on bonds are reported as other financing uses or sources in the governmental funds, whereas they are capitalized and amortized for net assets (and netted against bonds payable)

Add - bond discounts	42,500
Deduct - bond premiums	(262,394)

Deferred charges for bond issuance costs are currently expended in the governmental funds, whereas they are capitalized and amortized for net assets.	591,118
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Losses on refunding are not reported in the governmental funds, whereas they are capitalized and amortized for net assets (and netted against bonds payable)	1,278,363
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Internal service funds are used by management to charge the costs of certain activities such as insurance, worker's compensation, and building occupancy and maintenance. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	6,011,811
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Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Deduct - bonds and notes payable	(35,887,658)
Deduct - accrued interest on bonds payable	(125,129)
Deduct - accrued compensated absences and other long-term liabilities	(12,195,250)

Net assets of governmental activities	<u>\$ 152,504,758</u>
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The accompanying notes are an integral part of these financial statements.

WASHTENAW COUNTY
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended December 31, 2005

	<u>General</u>	<u>Community Support & Treatment Services</u>	<u>Parks and Recreation</u>	<u>Revenue Sharing Reserve</u>	<u>County Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues							
Taxes	\$ 59,645,096	\$ -	\$ 9,133,196	\$ 19,086,214	\$ -	\$ -	\$ 87,864,506
Licenses and permits	161,907	-	-	-	-	3,251,922	3,413,829
Intergovernmental	5,641,139	19,219,804	-	-	27,807	32,045,481	56,934,231
Charges for services	17,521,139	601,553	3,249,792	-	1,547,677	4,233,215	27,153,376
Fines and forfeits	1,106,638	-	-	-	-	61,234	1,167,872
Investment income	628,154	-	781,016	22,031	645,042	205,796	2,282,039
Other	1,032,874	504,052	46,770	-	169,497	3,433,829	5,187,022
Total revenues	<u>85,736,947</u>	<u>20,325,409</u>	<u>13,210,774</u>	<u>19,108,245</u>	<u>2,390,023</u>	<u>43,231,477</u>	<u>184,002,875</u>
Expenditures							
Current:							
Legislative	642,291	-	-	-	-	-	642,291
Judicial	14,916,715	-	-	-	-	6,259,691	21,176,406
General government	10,553,533	-	-	-	-	2,382,268	12,935,801
Public safety	38,948,971	-	-	-	-	5,214,288	44,163,259
Public works	-	-	-	-	-	600,718	600,718
Health	-	19,775,394	-	-	-	15,478,800	35,254,194
Social services	1,263,782	-	-	-	-	24,974,437	26,238,219
Culture and recreation	628,307	-	10,958,292	-	-	795,582	12,382,181
Other	4,473,369	-	-	-	-	-	4,473,369
Debt service:							
Principal	-	-	-	-	-	3,449,476	3,449,476
Interest and fiscal charges	-	-	-	-	-	1,059,088	1,059,088
Bond issuance costs	-	-	-	-	-	235,176	235,176
Capital outlay	-	-	-	-	9,716,690	2,079,144	11,795,834
Total expenditures	<u>71,426,968</u>	<u>19,775,394</u>	<u>10,958,292</u>	<u>-</u>	<u>9,716,690</u>	<u>62,528,668</u>	<u>174,406,012</u>
Revenues over (under) expenditures	<u>14,309,979</u>	<u>550,015</u>	<u>2,252,482</u>	<u>19,108,245</u>	<u>(7,326,667)</u>	<u>(19,297,191)</u>	<u>9,596,863</u>
Other financing sources (uses)							
Issuance of refunding bonds	-	-	-	-	-	11,475,000	11,475,000
Premium on refunding bonds	-	-	-	-	-	95,406	95,406
Payment to refunding escrow agent	-	-	-	-	-	(11,336,730)	(11,336,730)
Transfers in	6,611,427	271,088	-	-	6,894,751	30,744,690	44,521,956
Transfers out	(20,481,873)	-	-	(5,731,819)	(4,523,263)	(12,571,449)	(43,308,404)
Total other sources (uses)	<u>(13,870,446)</u>	<u>271,088</u>	<u>-</u>	<u>(5,731,819)</u>	<u>2,371,488</u>	<u>18,406,917</u>	<u>1,447,228</u>
Net change in fund balances	439,533	821,103	2,252,482	13,376,426	(4,955,179)	(890,274)	11,044,091
Fund balances:							
Beginning of year	<u>7,907,216</u>	<u>83,219</u>	<u>14,982,326</u>	<u>15,816,016</u>	<u>19,845,828</u>	<u>8,266,493</u>	<u>66,901,098</u>
End of year	<u>\$ 8,346,749</u>	<u>\$ 904,322</u>	<u>\$ 17,234,808</u>	<u>\$ 29,192,442</u>	<u>\$ 14,890,649</u>	<u>\$ 7,376,219</u>	<u>\$ 77,945,189</u>

The accompanying notes are an integral part of these financial statements.

WASHTENAW COUNTY
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year Ended December 31, 2005

Net change in fund balances - total governmental funds \$ 11,044,091

Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add - capital outlay	14,898,218
Deduct - depreciation expense	(5,589,453)
Deduct - loss on disposal of capital assets	(99,826)

Revenues in the statement of activities that do not provide current resources are not reported as revenues in the funds.	(391,976)
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Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Deduct - refunding bond and note proceeds	(11,475,000)
Add - payment to refunding bond escrow agent	11,336,730
Add - bond issuance costs	233,676
Deduct - premium on bonds	(95,406)
Add - principal payments on long-term liabilities	3,449,476

Accrued interest expense on bonds and the amortization of bond issuance costs, discounts, premiums and deferred losses are not recorded by governmental funds, but are reported under interest and fiscal charges for purposes of net assets:

Accrued interest expense	207,422
Amortization of bond issuance costs	(50,252)
Amortization of discount on bonds	(2,500)
Amortization of premium on bonds	28,029
Amortization of deferred loss on refunding	(120,459)

Internal service funds are used by management to charge the costs of certain activities such as insurance, workers' compensation, and building occupancy and maintenance to individual governmental funds. The net revenue (expense) attributable to those funds is reported with governmental activities.

Add - net operating income from governmental activities in internal service funds	3,119
Add - interest revenue from governmental internal service funds	276,297
Add - net loss on disposal of capital assets in governmental internal service funds	(69,786)
Deduct - interest expense and fiscal charges from governmental internal service funds	(30,805)
Deduct - net transfer from governmental internal service fund to debt service fund	1,333,064

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Deduct - increase in accrual for accrued compensated absences	(1,103,886)
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Change in net assets of governmental activities	\$ 23,780,773
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The accompanying notes are an integral part of these financial statements.

WASHTENAW COUNTY
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
General Fund
Year Ended December 31, 2005

	Budget			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
Revenues				
Taxes	\$ 59,430,088	\$ 59,631,188	\$ 59,645,096	\$ 13,908
Licenses and permits	123,200	153,200	161,907	8,707
Intergovernmental	10,714,465	5,593,299	5,641,139	47,840
Charges for services	15,640,432	17,511,408	17,521,139	9,731
Fines and forfeits	1,262,100	1,262,100	1,106,638	(155,462)
Investment income	464,400	464,400	628,154	163,754
Other	949,212	1,022,045	1,032,874	10,829
Total revenues	88,583,897	85,637,640	85,736,947	99,307
Expenditures				
Legislative -				
Board of commissioners	693,868	643,868	642,291	1,577
Judicial:				
Circuit court	4,273,110	4,358,110	4,354,890	3,220
District court	4,175,278	4,175,278	4,127,608	47,670
Probate court	939,990	979,990	977,061	2,929
Probate court - juvenile	2,881,336	2,831,336	2,818,955	12,381
Probation department	147,333	147,333	132,467	14,866
Public defender	2,490,192	2,517,192	2,505,734	11,458
Total judicial	14,907,239	15,009,239	14,916,715	92,524
General government:				
Information technology	5,870,550	5,870,550	5,692,290	178,260
Building authority	8,090	8,090	7,040	1,050
Clerk / Register	4,301,093	4,965,001	4,964,044	957
Human resources	1,637,936	1,947,936	1,937,613	10,323
Drain commissioner	2,210,563	2,141,263	2,125,631	15,632
Equalization	1,373,193	1,508,193	1,501,775	6,418
Planning	1,944,820	1,669,120	1,633,509	35,611
Finance	2,796,284	2,811,284	2,808,845	2,439
Corporation counsel	265,365	271,365	270,606	759
Treasurer	1,238,474	1,148,474	1,143,551	4,923
Administrator	727,325	787,325	782,848	4,477
Allocated to other departments	(12,234,322)	(12,234,322)	(12,314,219)	79,897
Total general government	10,139,371	10,894,279	10,553,533	340,746

Continued...

WASHTENAW COUNTY
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual (Continued)
General Fund
Year Ended December 31, 2005

	Budget			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
Public safety:				
Emergency management	\$ 411,391	\$ 418,589	\$ 418,190	\$ 399
Sheriff	31,849,335	33,467,435	33,392,610	74,825
Prosecuting attorney	4,960,181	5,140,181	5,138,171	2,010
Total public safety	37,220,907	39,026,205	38,948,971	77,234
Social Services:				
Children's services	633,787	618,787	617,479	1,308
Veterans counselor	622,614	648,614	646,303	2,311
Total social services	1,256,401	1,267,401	1,263,782	3,619
Culture - county extension	633,421	633,421	628,307	5,114
Other unallocated expenditures	3,981,477	4,210,732	4,473,369	(262,637)
Total expenditures	68,832,684	71,685,145	71,426,968	258,177
Revenues over expenditures	19,751,213	13,952,495	14,309,979	357,484
Other financing sources (uses)				
Transfers in	903,054	6,681,788	6,611,427	(70,361)
Transfers out	(20,404,267)	(20,384,283)	(20,481,873)	(97,590)
Total other sources (uses)	(19,501,213)	(13,702,495)	(13,870,446)	(167,951)
Net change in fund balance	250,000	250,000	439,533	189,533
Fund balance, beginning of year	7,907,216	7,907,216	7,907,216	-
Fund balance, end of year	\$ 8,157,216	\$ 8,157,216	\$ 8,346,749	\$ 189,533

The accompanying notes are an integral part of these financial statements.

WASHTENAW COUNTY
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Community Support & Treatment Services
Special Revenue Fund
Year Ended September 30, 2005

	Budget			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
Revenues				
Intergovernmental	\$ 17,079,899	\$ 18,513,245	\$ 19,219,804	\$ 706,559
Charges for services	337,000	335,000	601,553	266,553
Other	536,744	538,744	504,052	(34,692)
Total revenues	17,953,643	19,386,989	20,325,409	938,420
Expenditures				
Health	18,709,207	19,658,077	19,775,394	(117,317)
Revenues over (under) expenditures	(755,564)	(271,088)	550,015	821,103
Other financing sources				
Transfers in	755,564	271,088	271,088	-
Net change in fund balance	-	-	821,103	821,103
Fund balance, beginning of year	83,219	83,219	83,219	-
Fund balance, end of year	\$ 83,219	\$ 83,219	\$ 904,322	\$ 821,103

The accompanying notes are an integral part of these financial statements.

WASHTENAW COUNTY
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Parks and Recreation Special Revenue Fund
Year Ended December 31, 2005

	Budget		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 9,019,265	\$ 9,019,265	\$ 9,133,196	\$ 113,931
Charges for services	2,941,000	2,935,000	3,249,792	314,792
Investment income	225,000	225,000	781,016	556,016
Other	1,000	7,000	46,770	39,770
Total revenues	12,186,265	12,186,265	13,210,774	1,024,509
Expenditures				
Culture and recreation	14,836,450	14,836,450	10,958,292	3,878,158
Net change in fund balance	(2,650,185)	(2,650,185)	2,252,482	4,902,667
Fund balance, beginning of year	14,982,326	14,982,326	14,982,326	-
Fund balance, end of year	\$ 12,332,141	\$ 12,332,141	\$ 17,234,808	\$ 4,902,667

The accompanying notes are an integral part of these financial statements.

WASHTENAW COUNTY
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Revenue Sharing Reserve Fund
Year Ended December 31, 2005

	Budget		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 19,506,856	\$ 19,506,856	\$ 19,086,214	\$ (420,642)
Investment income	319,006	319,006	22,031	(296,975)
Total revenues	19,825,862	19,825,862	19,108,245	(717,617)
Other financing uses				
Transfers out	(5,731,819)	(5,731,819)	(5,731,819)	-
Net change in fund balance	14,094,043	14,094,043	13,376,426	(717,617)
Fund balance, beginning of year	15,816,016	15,816,016	15,816,016	-
Fund balance, end of year	\$ 29,910,059	\$ 29,910,059	\$ 29,192,442	\$ (717,617)

The accompanying notes are an integral part of these financial statements.

WASHTENAW COUNTY
Statement of Net Assets
Proprietary Funds
December 31, 2005

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Delinquent Tax Revolving	Other Enterprise Funds	Total	
Assets				
Current assets:				
Cash and pooled investments	\$ 9,213,538	\$ 1,492,986	\$ 10,706,524	\$ 6,342,212
Receivables:				
Delinquent taxes	7,656,832	-	7,656,832	-
Interest and collection fees	1,591,470	-	1,591,470	-
Accounts	-	-	-	445,345
Interfund receivable	-	-	-	440,000
Due from other governments	-	20,802	20,802	467,363
Due from component units	81,800	-	81,800	-
Inventories	-	-	-	121,766
Prepaid items	-	-	-	1,199,060
Total current assets	<u>18,543,640</u>	<u>1,513,788</u>	<u>20,057,428</u>	<u>9,015,746</u>
Noncurrent assets -				
Capital assets, net	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,338,336</u>
Total assets	<u>18,543,640</u>	<u>1,513,788</u>	<u>20,057,428</u>	<u>11,354,082</u>
Liabilities				
Current liabilities:				
Accounts payable	-	-	-	390,174
Accrued liabilities	2,291	3,372	5,663	2,354,122
Interfund payable	-	20,000	20,000	420,000
Interest payable	297,740	-	297,740	1,608
General obligation notes payable	<u>10,000,000</u>	<u>-</u>	<u>10,000,000</u>	<u>-</u>
Total current liabilities	<u>10,300,031</u>	<u>23,372</u>	<u>10,323,403</u>	<u>3,165,904</u>
Long-term liabilities:				
Accrued compensated absences	-	11,207	11,207	381,722
Advances from other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,794,645</u>
Total long-term liabilities	<u>-</u>	<u>11,207</u>	<u>11,207</u>	<u>2,176,367</u>
Total liabilities	<u>10,300,031</u>	<u>34,579</u>	<u>10,334,610</u>	<u>5,342,271</u>
Net assets				
Invested in capital assets	-	-	-	2,338,336
Unrestricted	<u>8,243,609</u>	<u>1,479,209</u>	<u>9,722,818</u>	<u>3,673,475</u>
	<u>\$ 8,243,609</u>	<u>\$ 1,479,209</u>	<u>\$ 9,722,818</u>	<u>\$ 6,011,811</u>

The accompanying notes are an integral part of these financial statements.

WASHTENAW COUNTY
Statement of Revenues, Expenses and
Changes in Net Assets
Proprietary Funds
Year Ended December 31, 2005

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Delinquent Tax Revolving	Other Enterprise Funds	Total	
Operating revenues				
Charges for services	\$ 95	\$ 412,680	\$ 412,775	\$ 31,150,210
Intergovernmental revenue	-	27,424	27,424	-
Investment income	1,739,685	12,768	1,752,453	-
Collection fees on taxes	883,723	-	883,723	-
Total operating revenues	2,623,503	452,872	3,076,375	31,150,210
Operating expenses				
Personnel services	101,279	175,210	276,489	3,299,162
Contractual services	46,737	82,582	129,319	926,562
Supplies	-	31,709	31,709	1,500,918
Occupancy	-	-	-	2,485,536
Telephone	-	280	280	435,485
Equipment repair and rental	-	809	809	467,642
Building repair and rental	-	-	-	292,329
Benefits and insurance premiums	-	-	-	19,775,133
Other	-	23,849	23,849	1,231,448
Depreciation	-	-	-	732,876
Total operating expenses	148,016	314,439	462,455	31,147,091
Operating income	2,475,487	138,433	2,613,920	3,119
Non-operating income (expense)				
Investment earnings (loss)	(195,297)	53,631	(141,666)	276,297
Interest expense and fiscal charges	(443,346)	-	(443,346)	(30,805)
Loss on disposal of equipment	-	-	-	(69,786)
Total non-operating income (expense)	(638,643)	53,631	(585,012)	175,706
Income before transfers	1,836,844	192,064	2,028,908	178,825
Transfers in	-	-	-	1,809,676
Transfers out	(1,921,574)	-	(1,921,574)	(476,612)
Change in net assets	(84,730)	192,064	107,334	1,511,889
Net assets, beginning of year	8,328,339	1,287,145	9,615,484	4,499,922
Net assets, end of year	<u>\$ 8,243,609</u>	<u>\$ 1,479,209</u>	<u>\$ 9,722,818</u>	<u>\$ 6,011,811</u>

The accompanying notes are an integral part of these financial statements.

WASHTENAW COUNTY
Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2005

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Delinquent Tax Revolving	Other Enterprise Funds	Total	
Cash flows from operating activities				
Cash received from customers	\$ 21,618,071	\$ 452,340	\$ 22,070,411	\$ 823,164
Cash received from interfund services	-	-	-	32,212,376
Cash payments for delinquent taxes	(20,241,124)	-	(20,241,124)	-
Cash payments to employees	(98,987)	(167,390)	(266,377)	(3,241,748)
Cash payments to suppliers	(208,121)	(139,229)	(347,350)	(26,478,181)
Cash payments for interfund services	-	-	-	(1,295,005)
Net cash provided by operating activities	<u>1,069,839</u>	<u>145,721</u>	<u>1,215,560</u>	<u>2,020,606</u>
Cash flows from noncapital financing activities				
Transfers in	-	-	-	1,809,676
Transfers out	(1,921,574)	-	(1,921,574)	(476,612)
Advances from other funds	-	-	-	(85,588)
Proceeds from issuing long term debt	10,000,000	-	10,000,000	-
Principal paid on long term debt	(11,000,000)	-	(11,000,000)	-
Interest paid on long term debt	<u>(145,606)</u>	<u>-</u>	<u>(145,606)</u>	<u>-</u>
Net cash provided (used) by noncapital financing activities	<u>(3,067,180)</u>	<u>-</u>	<u>(3,067,180)</u>	<u>1,247,476</u>
Cash flows from capital and related financing activities				
Interest paid on capital lease obligations	-	-	-	(21,924)
Proceeds from sale of equipment	-	-	-	154,268
Payments for equipment acquisitions	<u>-</u>	<u>-</u>	<u>-</u>	<u>(592,745)</u>
Net cash used by capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>(460,401)</u>
Cash flows from investing activities				
Investment earnings (loss)	<u>(128,247)</u>	<u>53,631</u>	<u>(74,616)</u>	<u>267,412</u>
Net increase(decrease) in cash and cash equivalents	(2,125,588)	199,352	(1,926,236)	3,075,093
Cash and cash equivalents, beginning of year	<u>11,339,126</u>	<u>1,293,634</u>	<u>12,632,760</u>	<u>3,267,119</u>
Cash and cash equivalents, end of year	<u><u>\$ 9,213,538</u></u>	<u><u>\$ 1,492,986</u></u>	<u><u>\$ 10,706,524</u></u>	<u><u>\$ 6,342,212</u></u>

Continued...

WASHTENAW COUNTY
Statement of Cash Flows (concluded)
Proprietary Funds
Year Ended December 31, 2005

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Delinquent Tax Revolving	Other Enterprise Funds	Total	
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income	\$ 2,475,487	\$ 138,433	\$ 2,613,920	\$ 3,119
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	-	-	-	732,876
Changes in assets and liabilities:				
Receivables	(1,246,555)	-	(1,246,555)	98,293
Interfund receivable	-	-	-	(440,000)
Due from other governments	-	(20,532)	(20,532)	862,347
Inventories	-	-	-	(35,602)
Prepaid items	-	-	-	(286,563)
Accounts payable	(161,385)	-	(161,385)	147,573
Accrued liabilities	2,292	(3,134)	(842)	656,308
Interfund payable	-	20,000	20,000	420,000
Deferred revenue	-	-	-	(137,745)
Accrued compensated absences	-	10,954	10,954	-
Net cash provided by operating activities	<u>\$ 1,069,839</u>	<u>\$ 145,721</u>	<u>\$ 1,215,560</u>	<u>\$ 2,020,606</u>

The accompanying notes are an integral part of these financial statements.

WASHTENAW COUNTY
Statement of Fiduciary Net Assets
Fiduciary Funds
December 31, 2005

	Pension and Other Employee Benefit Trust Funds	Agency Fund
Assets		
Cash and pooled investments	\$ 813,306	\$ 24,872,484
Investments, at fair value:		
Equities	112,723,876	-
United States treasuries	1,744,789	
United States treasury strips	9,524,028	-
United States agencies	23,077,302	-
Corporate securities	17,472,121	-
Mutual funds	60,469,584	-
Money market funds	12,876,151	
Accrued interest and dividends	478,670	-
	<hr/>	<hr/>
Total assets	239,179,827	\$ 24,872,484
	<hr/>	<hr/>
Liabilities		
Accounts payable	88,742	\$ -
Accrued liabilities	304,070	-
Undistributed receipts	-	24,872,484
	<hr/>	<hr/>
Total liabilities	392,812	\$ 24,872,484
	<hr/>	<hr/>
Net assets		
Held in trust for pension and other employee benefits	\$ 238,787,015	
	<hr/>	

The accompanying notes are an integral part of these financial statements.

WASHTENAW COUNTY
Statement of Changes in Fiduciary Net Assets
Pension and Other Employee Benefit Trust Funds
Year Ended December 31, 2005

Additions

Investment income:

From investing activities:

Net appreciation in fair value of investments	\$ 4,814,150
Interest and dividends	7,725,384
Investment management fees	(826,758)
Net income from investing activities	<u>11,712,776</u>

From securities lending activities:

Gross earnings	573,288
Borrower rebates	(533,083)
Securities fees	(16,027)
Net income from securities lending activities	<u>24,178</u>

Total net investment income	<u>11,736,954</u>
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Contributions:

Employer	13,489,492
Employees	<u>3,545,059</u>

Total contributions	<u>17,034,551</u>
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Other additions	<u>15,959</u>
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Total additions	<u>28,787,464</u>
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Deductions

Participant benefits	21,192,427
Participant refunds	32,474
Administrative expenses	<u>548,644</u>

Total deductions	<u>21,773,545</u>
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Net additions (deductions) to net assets held in trust

Employees' pension benefits	\$ 3,540,686
Postemployment healthcare benefits	3,280,766
Other employee benefits	<u>192,467</u>

Total net additions to net assets held in trust	7,013,919
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Net assets held in trust for benefits, beginning of year	<u>231,773,096</u>
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Net assets held in trust for benefits, end of year

Restricted for employees' pension benefits	202,561,777
Restricted for employees' postemployment healthcare benefits	35,698,966
Restricted for other employees' benefits	<u>526,272</u>

Total net assets held in trust for benefits, end of year	<u>\$ 238,787,015</u>
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The accompanying notes are an integral part of these financial statements.

WASHTENAW COUNTY
Combining Statement of Net Assets
Component Units
December 31, 2005

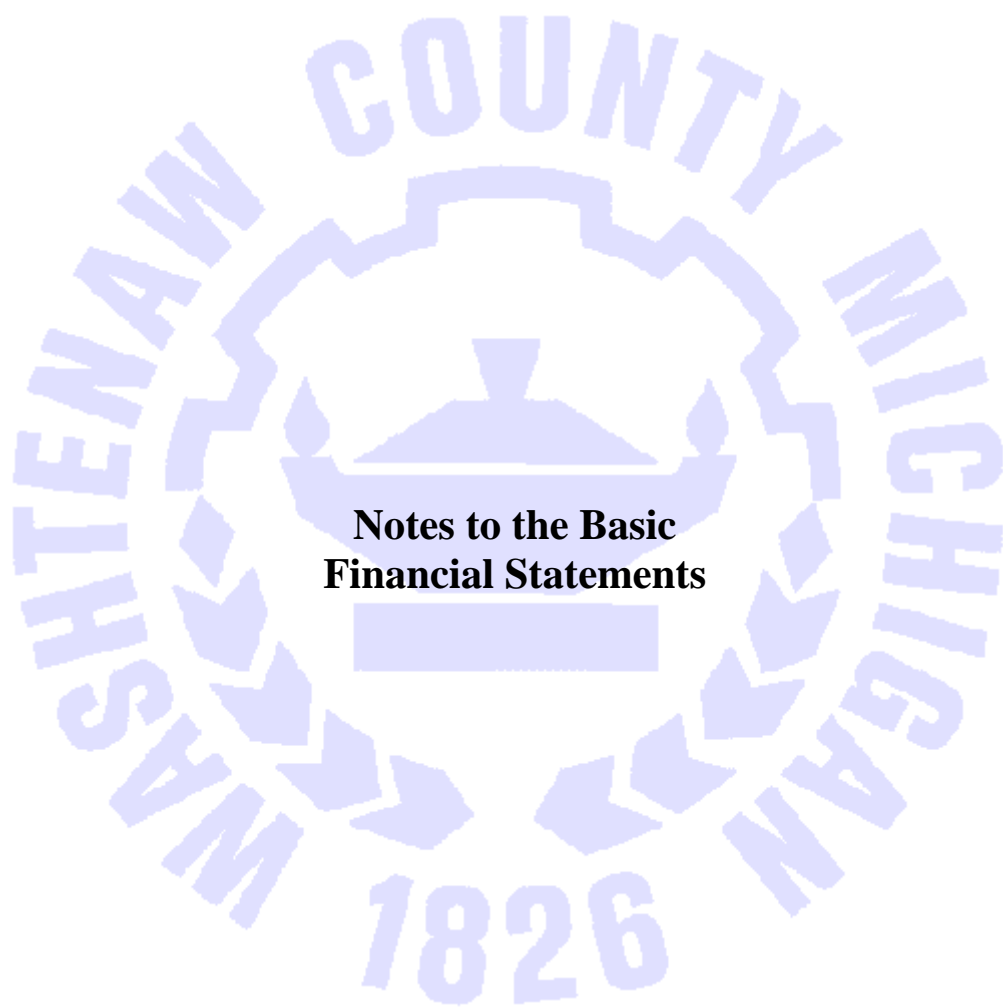
	Department of Public Works Projects	Drain Commissioner	Hazardous Materials Response Authority	Road Commission	Total
Assets					
Cash and pooled investments	\$ 2,185,027	\$ 8,903,857	\$ 137,520	\$ 5,073,427	\$ 16,299,831
Receivables, net	41,491,523	4,227,186	-	3,652,360	49,371,069
Prepaid items and other assets	259,527	7,716	-	1,028,585	1,295,828
Capital assets not being depreciated	-	665,564	-	17,388,549	18,054,113
Capital assets being depreciated	-	13,497,346	-	143,757,660	157,255,006
Total assets	43,936,077	27,301,669	137,520	170,900,581	242,275,847
Liabilities					
Accounts payable and accrued expenses	270,192	5,199,708	-	3,864,248	9,334,148
Accrued interest payable	308,284	39,079	-	-	347,363
Long-term liabilities:					
Due within one year	3,655,000	1,082,095	-	849,997	5,587,092
Due in more than one year	37,266,050	2,453,419	-	5,457,820	45,177,289
Total liabilities	41,499,526	8,774,301	-	10,172,065	60,445,892
Net assets					
Invested in capital assets, net of related debt	-	10,627,396	-	156,340,500	166,967,896
Restricted for:					
Debt service	51,853	1,710,410	-	-	1,762,263
Acquisition/construction of capital assets	2,384,698	3,763,215	-	-	6,147,913
Unrestricted	-	2,426,347	137,520	4,388,016	6,951,883
Total net assets	\$ 2,436,551	\$ 18,527,368	\$ 137,520	\$ 160,728,516	\$ 181,829,955

The accompanying notes are an integral part of these financial statements.

WASHTENAW COUNTY
Combining Statement of Activities
Component Units
Year Ended December 31, 2005

	Department of Public Works Projects	Drain Commissioner	Hazardous Materials Response Authority	Road Commission	Total
Expenses					
Public safety	\$ -	\$ -	\$ 45,996	\$ -	\$ 45,996
Public works	2,682,125	1,344,399	-	-	4,026,524
Highways and streets	-	-	-	25,879,960	25,879,960
Total expenses	2,682,125	1,344,399	45,996	25,879,960	29,952,480
Program revenues					
Charges for services	-	63,166	34,904	-	98,070
Operating grants and contributions	-	-	26,685	29,481,135	29,507,820
Capital grants and contributions	2,068,407	1,064,499	-	-	3,132,906
Total program revenues	2,068,407	1,127,665	61,589	29,481,135	32,738,796
Net program (expense) revenue	(613,718)	(216,734)	15,593	3,601,175	2,786,316
General revenues					
Unrestricted investment earnings	157,125	330,393	4,555	263,921	755,994
Gain on sale of capital assets	-	-	-	88,080	88,080
Total general revenues	157,125	330,393	4,555	352,001	844,074
Change in net assets	(456,593)	113,659	20,148	3,953,176	3,630,390
Net assets, beginning of year	2,893,144	18,413,709	117,372	156,775,340	178,199,565
Net assets, end of year	<u>\$ 2,436,551</u>	<u>\$ 18,527,368</u>	<u>\$ 137,520</u>	<u>\$ 160,728,516</u>	<u>\$ 181,829,955</u>

The accompanying notes are an integral part of these financial statements.



**Notes to the Basic
Financial Statements**

WASHTENAW COUNTY

NOTES TO FINANCIAL STATEMENTS

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WASHTENAW COUNTY

NOTES TO FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of Washtenaw County, Michigan (the “County” or “government”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the County’s accounting policies are described below.

A. Reporting Entity

Washtenaw County is a municipal corporation governed by an 11-member commission and administered by an appointed county administrator. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are in substance, part of the government’s operations. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the government. The blended and discretely presented component units have December 31 year ends.

Blended Component Unit

The *Washtenaw County Building Authority* is governed by a five-member board appointed by the Board of Commissioners. The Building Authority is reported as if it was part of the primary government because its sole purpose is to finance and construct the County’s public buildings.

Discretely Presented Component Units

The *Washtenaw County Department of Public Works Projects* is managed by the Board of Public Works, a seven-member board appointed by the County Board of Commissioners. The Board of Public Works is responsible for administering various public works construction projects and the associated debt service funds on behalf of local units of government within the County under the provisions of Act 185, Public Acts of 1957, as amended. All of the Board of Public Works’ contractual agreements including bond issuances require County Board of Commissioners approval. The full faith and credit of the County is given for the long-term debt of these projects.

Each of the drainage districts included in the financial statements of the *Washtenaw County Drain Commissioner* are separate legal entities with the power to contract; to sue and to be sued; and to hold, manage and dispose of real and personal property. The Statutory Drain Board consists of the Drain Commissioner, the Chair of the County Board of Commissioners, and one other member of the Board of Commissioners. The Drain Commissioner is responsible for the construction and maintenance of storm drains within the County. The full faith and credit of the County is often given for the long-term debt of the drainage districts.

WASHTENAW COUNTY

NOTES TO FINANCIAL STATEMENTS

The *Washtenaw County Hazardous Materials Response Team Authority (WCHMRTA)* is managed by an eleven-member board composed of a representative from each of the five enabling jurisdictions (Washtenaw County, City of Ann Arbor, City of Ypsilanti, Pittsfield Township and Ypsilanti Township) appointed by their governing bodies, three representatives appointed by the Mutual Aid Association, and one member each from the Criminal Justice Association, Washtenaw County Public Health Department, and Huron Valley Ambulance. A Technical Advisory Committee supports the Board. The WCHMRTA was formed to develop and manage a county wide hazardous material response team. The Washtenaw County Board of Commissioners approves the operating budget and the Authority has delegated fiscal powers to the County.

The *Washtenaw County Brownfield Redevelopment Authority (WCBRA)* is governed by a nine-member board appointed by the Washtenaw County Board of Commissioners. Its purpose is to encourage and support the redevelopment of under-utilized and environmentally contaminated properties in partnership with member communities in Washtenaw County. The County Board of Commissioners approves WCBRA's operating budget; WCBRA has delegated fiscal powers to the County. The WCBRA had no financial activity during 2005.

The *Washtenaw County Road Commission* is responsible for the maintenance and construction of the county road system in Washtenaw County. It is governed by a three-member board appointed by the County Board of Commissioners. The Road Commission may not issue debt or levy a tax without the approval of the County Board of Commissioners. The Road Commission deposits its receipts with and has investments through the County.

Complete financial statements for each of the discretely presented component units can be obtained directly from their respective administrative offices, as follows:

Department of Public Works	Drain Commissioner	WCHMRTA	Road Commission
705 North Zeeb Road	705 North Zeeb Road	220 North Main Street	555 North Zeeb Road
Ann Arbor, MI 48107	Ann Arbor, MI 48107	Ann Arbor, MI 48107	Ann Arbor, MI 48106

Funds with Another Year End

The Community Support & Treatment Services Fund and Public Health Fund (special revenue funds of the County) are reported on a September 30 year end in order to enhance the value of this document to certain readers and users.

WASHTENAW COUNTY

NOTES TO FINANCIAL STATEMENTS

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Agency funds, a type of fiduciary fund, are unlike all other types of funds, reporting only assets and liabilities. So agency funds cannot be said to have a measurement focus. They do, however, use the accrual basis of accounting to recognize receivables and payables.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for reimbursement-based grants which use one year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

WASHTENAW COUNTY

NOTES TO FINANCIAL STATEMENTS

Property taxes, state revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The County reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *community support and treatment services fund* accounts for the activities of delivering an array of mental health services to residents.

The *parks and recreation fund* accounts for the operations of the County-owned parks and recreational facilities and to account for the millage approved by County voters for the purchase of natural areas within the County.

The *revenue sharing reserve fund* is mandated by the State of Michigan and accounts for property tax collections to serve as a substitute to state revenue sharing payments. This substitute funding mechanism involves a gradual shift of County property tax millage from a winter tax levy to a summer tax levy.

The *county capital projects fund* accounts for renovation/small construction projects performed on County facilities and the purchase of capital equipment.

The government reports the following major proprietary fund:

The *delinquent tax revolving fund* accounts for the County's annual purchase of delinquent real property taxes from each of the local taxing units within the County and the ultimate collection from the property owners of the delinquent taxes with penalty and interest. The fund also accounts for the County's issuance of debt (to provide cash flow for the purchase of the taxes) and for the resulting debt service payments.

Additionally, the government reports the following fund types:

The *special revenue funds* account for revenue sources that are legally restricted to expenditures for specific purposes not including major capital projects.

The *debt service funds* account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds not being financed by proprietary funds.

WASHTENAW COUNTY

NOTES TO FINANCIAL STATEMENTS

The *enterprise funds* account for those operations that are financed and operated in a manner similar to private business or where the County has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

The *internal service funds* account for operations that provide services (such as the County's telephone system, building repair and maintenance, self-insurance, fleet and equipment management) to other departments or agencies of the County, or to other governments, on a cost-reimbursement basis.

The *agency funds* account for assets held for other governments in an agency capacity.

The *pension and other employee benefit trust funds* account for the activities of the Employees Retirement System, Money Purchase Pension Plan, and Voluntary Employees Beneficiary Association, which accumulate resources for pension and health benefit payments for qualified employees. The trust funds also include the Unemployment and Severance funds, which accumulate resources for unemployment and severance benefit payments, respectively, to qualified employees.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include: 1) charges to customers or applicants for goods, services, or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the delinquent tax fund and of the government's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

WASHTENAW COUNTY

NOTES TO FINANCIAL STATEMENTS

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

The County Treasurer maintains a cash management pool that is used by all funds and component units of the government, except for the pension and other employee benefit trust funds. In addition to their participation in the cash management pool, certain funds and component units also have separate checking accounts. The cash management pool has the general characteristics of a demand deposit account in that deposits and withdrawals may be made at any time without prior notice or penalty. Accordingly, each fund's portion of this pool, along with any amounts in separate demand deposit accounts, is reported as "cash and pooled investments."

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less.

Investments are stated at fair value, which is determined as follows: (a) short-term investments are reported at cost, which approximates fair value; (b) securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates; (c) investments that do not have established market values are reported at estimated fair value; and (d) cash deposits are reported at carrying amounts which reasonably approximates fair value.

State statutes authorize the County to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments (except those with a fluctuating per share value). State statutes authorize pension and other employee benefit plans to invest in stocks, government and corporate securities, mortgages, real estate, and various other investment instruments, subject to certain limitations.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of an allowance for uncollectibles.

WASHTENAW COUNTY

NOTES TO FINANCIAL STATEMENTS

3. Inventories and Prepaid Items

Inventories in the proprietary funds are stated at the lower of cost or market. Cost is determined by the first-in, first-out method. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. For the Road Commission component unit, inventory is valued at average cost.

4. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. For the County, infrastructure exists in the Drain Commissioner and Road Commission component units. Capital assets are defined by the County as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Capital assets are defined by the Road Commission as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets of the primary government and component units, except for the Road Commission, are depreciated using the straight-line method over the useful life of the assets as follows:

Buildings and improvements	50 years
Drain infrastructure	50 years
Equipment (computer, office and vehicles)	2.5 to 10 years

For the Road Commission component unit, capital assets are depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Machinery and equipment	5 to 20 years
Roads	5 to 30 years
Infrastructure	12 to 50 years

5. Compensated Absences

The County's policy is to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation pay and 50 percent of sick pay are accrued when incurred in the government-wide and proprietary funds financial statements. A liability is reported in governmental funds only if these amounts have matured, for example, as a result of employee resignations or retirements.

WASHTENAW COUNTY

NOTES TO FINANCIAL STATEMENTS

6. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

7. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general and special revenue funds. Budgets are not required for debt service and capital projects funds. All annual appropriations lapse at year-end.

The County utilizes a biennial budget to improve the efficiency of the overall budgeting process. The first year of the biennial budget is prepared for approval and adoption, and the second year is based on information currently available. The second year budget is amended during the first year to reflect necessary revisions as economic conditions warrant. Necessary changes are brought back to the Board of Commissioners prior to the beginning of the fiscal year for final adoption.

The County Administrator submits a proposed budget to the Board of Commissioners before September 15. The budget includes proposed expenditures and the means of financing them. Public hearings are held to obtain taxpayer comments. The budget is adopted no later than December 31 through a Board of Commissioners resolution.

WASHTENAW COUNTY

NOTES TO FINANCIAL STATEMENTS

The appropriated budget is prepared by fund, function and department. The County's department heads may make limited transfers of appropriations within a department. Transfers of appropriations between departments require approval by the Board of Commissioners or County Administrator, depending on the dollar value of the transfers. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level for the General Fund and the function level for special revenue funds. Supplemental budgetary appropriations were made during the year, but were not material for purposes of these disclosures.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the governmental funds. Encumbrances are recorded in the amount of the outstanding purchase orders and contracts at the time the purchase orders and contracts are issued. The encumbrances are liquidated when the goods or services are received. Unliquidated encumbrances at the end of the year are not carried forward to the next year.

B. Excess of Expenditures over Appropriations

State statutes provide that a local unit shall not incur expenditures in excess of the amount appropriated. The approved budgets of the County were adopted on a department level basis for the General Fund and the function level for the special revenue funds.

Excess of expenditures over appropriations in individual funds are as follows:

	Final Budget	Actual	Excess
General fund			
Other unallocated expenditures	\$ 4,210,732	\$ 4,473,369	\$ 262,637
Transfers out	20,384,283	20,481,873	97,590
Special revenue funds			
Community Support & Treatment Services - health	19,658,077	19,775,394	117,317
Public Works Solid Waste Program - public works	393,000	507,697	114,697
Head Start - social services	4,462,286	4,586,767	124,481
Inmate Concessions - public safety	270,972	286,127	15,155
Other Special Revenue:			
Public works	-	93,021	93,021
Culture and recreation	-	30,000	30,000
Transfers out	-	380	380
Public Health - transfers out	-	14,832	14,832

These over-expenditures were funded by available fund balance.

WASHTENAW COUNTY

NOTES TO FINANCIAL STATEMENTS

III. DETAILED NOTES ON ALL FUNDS

A. Deposits, Investments and Securities Lending

Following is a reconciliation of deposits and investments as of December 31, 2005:

	<u>Primary Government</u>	<u>Component Units</u>	<u>Total</u>
Statement of Net Assets:			
Cash and pooled investments	\$ 71,505,458	\$ 16,299,831	\$ 87,805,289
Statement of Fiduciary Net Assets:			
Cash and pooled investments	25,685,790	-	25,685,790
Investments	<u>237,887,851</u>	<u>-</u>	<u>237,887,851</u>
Total	<u>\$335,079,099</u>	<u>\$ 16,299,831</u>	<u>\$351,378,930</u>
Deposits and Investments:			
Bank deposits (checking accounts and certificates of deposit)			\$ 22,931,509
Investments in securities, mutual funds and similar vehicles:			
Treasurer's investment pool			92,528,299
Employees retirement system			153,720,804
Money purchase pension plan			48,454,185
Voluntary employees benefit association			35,712,862
Cash on hand			42,080
Net effect of funds with different fiscal year ends			<u>(2,010,809)</u>
Total			<u>\$351,378,930</u>

Bank Deposits and Treasurer's Investment Pool

Custodial Credit Risk - Deposits. Deposits are exposed to custodial credit risk if they are not covered by depository insurance. As of December 31, 2005, \$18,593,787 of the County's total bank balance of \$19,493,787 (total book balance was \$22,931,509) was exposed to custodial credit risk as it was uninsured and uncollateralized.

In accordance with the County's investment policy and State law, all deposits are uncollateralized, held in the County's name, and evidenced by a safekeeping receipt. Also, due to the dollar amounts of cash deposits and the limits of FDIC insurance, the County believes it is impractical to insure all bank deposits. As a result, the County evaluates each financial institution and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

WASHTENAW COUNTY

NOTES TO FINANCIAL STATEMENTS

Custodial Credit Risk - Investments. Following is a summary of the County's investments as of December 31, 2005:

U.S. treasuries	\$ 31,764,530
U.S. agencies	38,441,597
Commercial paper	8,814,835
Washtenaw County tax notes	10,000,000
Money market	<u>3,507,337</u>
Total	<u>\$ 92,528,299</u>

Investments are exposed to custodial credit risk if the securities are uninsured, unregistered or held by a counterparty or its agent but not in the government's name. In accordance with the County's investment policy, all investments are held in the name of the County and are evidenced by a safekeeping receipt confirmation, and thus not exposed to custodial credit risk.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The County's investment policy and State law require that commercial paper be rated in the top two ratings by at least two nationally recognized statistical rating organizations (NRSRO); investments in local government tax notes must be rated in the top two ratings by one NRSRO. Ratings are not required for U.S. treasuries or money market funds.

As of December 31, 2005, all of the County's investments in securities of U.S. agencies were rated AAA by Standard & Poor's. Of the County's holdings in commercial paper, \$5,878,855 was rated A-1+ and \$2,935,980 was rated A-1 by Standard & Poor's; all of the County's commercial paper was rated P-1 by Moody's. The County's investment in its own general obligation limited tax notes was rated F1+ by Fitch.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The County's investment policy requires diversification by security type and institution, but does not place a fixed percentage limit for any one issuer. At December 31, 2005, the County had greater than 5% of its total investment portfolio concentrated as follows:

<u>Investment Type</u>	<u>Issuer</u>	<u>% of Portfolio</u>
U.S. agencies	Federal Home Loan Bank	26.8%
	Federal Home Loan Mortgage Corporation	14.7%
Local government	Washtenaw County tax notes	10.8%

WASHTENAW COUNTY

NOTES TO FINANCIAL STATEMENTS

Interest Rate Risk. Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of investments. The County's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, it is the practice of the County to manage this risk by purchasing a mix of short and longer term investments. This laddering approach also matches investment maturities to projected cash flow needs.

As of December 31, 2005, maturities of the County's debt securities were as follows:

	Fair Value	Investment Maturities (fair value by years)			
		Less Than 1	1-5	6-10	More Than 10
U.S. treasuries	\$ 31,764,530	\$ 31,764,530	\$ -	\$ -	\$ -
U.S. agencies	38,441,597	24,812,657	13,628,940	-	-
Commercial paper	8,814,835	8,814,835	-	-	-
Local government	10,000,000	10,000,000	-	-	-
	<u>\$ 89,020,962</u>	<u>\$ 75,392,022</u>	<u>\$ 13,628,940</u>	<u>\$ -</u>	<u>\$ -</u>

Employees Retirement System Investments

The System's investments are primarily held in a bank-administered trust fund. Following is a summary of the System's investments as of December 31, 2005:

Investments at fair value, as determined by quoted market price:

Equities:

Not on securities loan	\$ 78,424,942
On securities loan	9,416,892
U.S. treasuries	1,409,168
U.S. treasury strips	9,105,987

U.S. agencies:

Not on securities loan	19,910,464
On securities loan	2,556,268

Corporate securities:

Not on securities loan	16,084,958
On securities loan	961,920

Mutual funds	5,545,675
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Money market funds	<u>10,304,530</u>
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Total investments	<u>\$ 153,720,804</u>
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WASHTENAW COUNTY

NOTES TO FINANCIAL STATEMENTS

Total realized and unrealized gains and losses for the year ended December 31, 2005, are as follows:

	Realized Gain (Loss)	Unrealized Gain (Loss)	Net Appreciation (Depreciation)
Equities	\$ 6,413,202	\$ (3,994,207)	\$ 2,418,995
Corporate and U.S. securities	<u>(53,918)</u>	<u>(991,959)</u>	<u>(1,045,877)</u>
Total	<u>\$ 6,359,284</u>	<u>\$ (4,986,166)</u>	<u>\$ 1,373,118</u>

The calculation of realized gains and losses is independent of the calculation of net appreciation (depreciation) in the fair value of System investments. Unrealized gains and losses on investments sold in the current year that had been held for more than one year were included in the net appreciation (depreciation) reported in prior years and the current year.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The System's investment policy provides that 90% of its investments in fixed income securities be limited to those rated BAA or better by a nationally recognized statistical rating organization, except for United States treasury securities which are explicitly guaranteed by the U.S. government and not considered to have credit risk.

As of December 31, 2005, the System's investments in securities of U.S. agencies are rated AAA by Standard & Poor's. The System's investments in corporate securities were rated by Standard & Poor's as follows:

AAA	\$ 6,030,414
AA	2,103,717
A	4,667,289
BBB	2,156,909
BB	514,945
Not Rated	<u>1,573,604</u>
	<u>\$ 17,046,878</u>

The System's investments in mutual funds and money market funds are not rated.

WASHTENAW COUNTY

NOTES TO FINANCIAL STATEMENTS

Custodial Credit Risk. For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, the System will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The System's investment policy requires that securities be held in trust by a third-party institution in the System's name or its nominee custodian's name or in bearer form. Although uninsured and unregistered, the System's investments are not exposed to custodial credit risk since the securities are held by the counterparty's trust department or agent in the System's name. Short-term investments in money market funds and open-end mutual funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book form.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of the System's investment in a single issuer. The System's investment policy requires that no more than 10% of equity securities be invested in any one industry and no more than 8% of large cap equities be invested in any one company. The policy also provides that no more than 10% of fixed income securities may be invested in any one company and no more than 8% may be invested in any single issue.

At December 31, 2005, the System's investment portfolio was concentrated as follows:

<u>Investment Type</u>	<u>Issuer</u>	<u>% of Portfolio</u>
Equities	Wells Real Estate Investment Trust Inc.	5.1%
U.S. agencies	Federal National Mortgage Association	6.6%
	Federal Home Loan Mortgage Association	6.3%

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The System's investment policy does not discuss the maximum maturity for any single fixed income security or the weighted average portfolio maturity.

WASHTENAW COUNTY

NOTES TO FINANCIAL STATEMENTS

As of December 31, 2005, maturities of the System's debt securities were as follows:

	Fair Value	Investment Maturities (fair value by years)			
		Less Than 1	1-5	6-10	More Than 10
U.S. treasuries	\$ 1,409,168	\$ 101,520	\$ 260,813	\$ -	\$ 1,046,835
U.S. treasury strips	9,105,987	-	257,420	5,202,562	3,646,005
U.S. agencies	22,466,732	23	825,043	2,149,143	19,492,523
Corporate securities	17,046,878	621,820	6,604,442	2,949,990	6,870,626
	<u>\$ 50,028,765</u>	<u>\$ 723,363</u>	<u>\$ 7,947,718</u>	<u>\$ 10,301,695</u>	<u>\$ 31,055,989</u>

Of the above balances, \$10,973,455 of the U.S. agencies securities and \$10,465,902 of corporate securities were callable.

The System's portfolio of U.S. agencies and corporate securities includes certain collateralized mortgage obligations (with interest-only and principal-only strips), variable-rate securities, and inverse variable-rate securities. The fair value of these investments is summarized as follows:

Collateralized mortgage obligations:	
Interest-only strips	\$ 203,745
Principal-only strips	1,293,034
Variable-rate securities	424,953
Inverse variable-rate securities	1,510,575

The System invests in interest-only strips, in part, to maximize yields and as protection against a rise in interest rates. These securities are based on cash flows from interest payments on underlying mortgages. Therefore, they are sensitive to prepayments by mortgagees, which may result from a decline in interest rates.

The System invests in principal-only strips to reduce the price sensitivity of its fixed-income portfolio to changes in interest rates. These principal-only strips are sensitive to interest rate increases that may result from decreasing mortgage prepayments, thus increasing the average maturity of these investments.

WASHTENAW COUNTY

NOTES TO FINANCIAL STATEMENTS

A variable-rate investment's coupon amount enhances or amplifies the effects of interest rate changes by greater than a one-to-one basis. The multiplier makes the fair value of these investments highly sensitive to interest rate changes. As of December 31, 2005, the System held three variable-rate investments with a fair value of \$424,953. The coupon rates for these investments range from 0.0% to 5.0%; the benchmark indexes include one-month LIBOR, and 11th District Monthly Weighted Average Cost of Funds Index (San Francisco); the reset frequency is generally monthly; the coupon payment frequency is monthly; and coupon multipliers range from 1.0 to 44.8 times the benchmark index, minus 268.8% to plus 1.25%.

As of December 31, 2005, the System held four inverse variable-rate investments with a fair value of \$1,510,575. With inverse variable-rate securities, coupon payments decline as interest rates increase. The coupon rates for these investments range from 0.67% to 9,018.50%; the benchmark indexes include one-month LIBOR, 11th District Monthly Weighted Average Cost of Funds Index (San Francisco), and three-month and ten-year treasury rate; the reset and coupon payment frequency is monthly; and coupon multipliers range from negative 2,253.07 to negative .60 times the benchmark index, plus 5.05% to 1,199.99%.

Securities Lending. A contract approved by the System's Board of Directors, permits the System to lend its securities to broker-dealers and other entities (borrowers) for collateral that will be returned for the same securities in the future. The System's custodial bank manages the securities lending program and receives securities or irrevocable bank letters of credit as collateral. The collateral securities cannot be pledged or sold by the System unless the borrower defaults. Collateral securities and letters of credit are initially pledged at 102 percent of the market value of the securities lent, and may not fall below 100 percent during the term of the loan. There are no restrictions on the amount of securities that can be loaned.

Securities on loan at year-end are classified in the preceding schedule of custodial credit risk according to the category for the collateral received on the securities lent. At year end, the System has no credit risk exposure to borrowers because the amounts the System owes the borrowers exceed the amounts the borrowers owe the System. The contract with the System's custodian requires it to indemnify the System if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the System for income distributions by the securities' issuers while the securities are on loan.

Money Purchase Pension Plan Investments

The Plan's investments are held by its trustee, a third-party financial institution. The management agreement between the Plan and the trustee requires fifteen separate mutual funds, including eleven stock funds, one balanced fund, one bond fund, one guaranteed interest fund, and a self-directed brokerage option. Participants select the particular funds into which their contributions and the related County matching contributions are made. All of the Plan's investments totaling \$48,454,185 are in mutual funds.

WASHTENAW COUNTY

NOTES TO FINANCIAL STATEMENTS

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. At December 31, 2005 the Plan's bond mutual fund was rated AAA by Standard & Poor's rating agency. The Plan's investment policy does not address credit risk.

Custodial Credit Risk. For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, the Plan will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Short-term investments in money market funds and open-end mutual funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book form. At December 31, 2005, the Plan's bond mutual fund is an open-end mutual fund. Accordingly, the Plan's investments are not exposed to custodial credit risk. The Plan's investment policy does not address custodial credit risk.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. At December 31, 2005, the weighted average maturity of the Plan's bond mutual fund was 5.63 years. The Plan's investment policy does not address interest rate risk.

Voluntary Employees Beneficiary Association (VEBA) Investments

The VEBA's investments are held by an independent investment management company. Following is a summary of its investments as of December 31:

Investments at fair value, as determined	
by quoted market prices:	
Equities	\$ 24,882,042
United States treasuries	335,621
United States treasury strips	418,041
United States agencies	610,570
Corporate securities	425,243
Bond mutual fund	6,469,724
Money market funds	<u>2,571,621</u>
Total investments	<u>\$ 35,712,862</u>

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The VEBA's investment policy provides that all of its investments in fixed income securities be rated A1 or better by a nationally recognized statistical rating organization, except for United States treasury securities which are explicitly guaranteed by the U.S. government and not considered to have credit risk.

WASHTENAW COUNTY

NOTES TO FINANCIAL STATEMENTS

As of December 31, 2005, the VEBA's investments in securities of U.S. agencies are rated AAA by Standard & Poor's; investments in money market funds are not rated. The VEBA's investments in the bond mutual fund and corporate securities are rated by Standard & Poor's as follows:

AAA	\$	6,469,724
B+		161,550
CCC+		132,073
Not Rated		131,620
	<u>\$</u>	<u>6,894,967</u>

Custodial Credit Risk. For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, the VEBA will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The VEBA's investment policy does not address custodial credit risk. Although uninsured and unregistered, the VEBA's investments are not exposed to custodial credit risk since the securities are held by the counterparty's trust department in the VEBA's name. Short-term investments in money market funds and open-end mutual funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book form.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of the VEBA's investment in a single issuer. The VEBA's investment policy requires that no more than ten percent of its assets be invested in money market funds or short-term U.S. treasuries, no more than five percent in any one issuer and no more than twenty percent in any one industry. At December 31, 2005, the VEBA's investment portfolio was not exposed to concentration credit risk.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The investment policy provides that the weighted average maturity of its portfolio may not exceed 10 years. At year-end, maturities of debt securities were as follows:

	Fair Value	Investment Maturities (fair value by years)			
		Less Than 1	1-5	6-10	More Than 10
U.S. treasuries	\$ 335,621	\$ -	\$ -	\$ 176,826	\$ 158,795
U.S. treasury strips	418,041	-	-	133,166	284,875
U.S. agencies	610,570	-	67,273	-	543,297
Corporate securities	425,243	-	257,705	-	167,538
	<u>\$ 1,789,475</u>	<u>\$ -</u>	<u>\$ 324,978</u>	<u>\$ 309,992</u>	<u>\$ 1,154,505</u>

WASHTENAW COUNTY

NOTES TO FINANCIAL STATEMENTS

The bond mutual fund has a weighted average maturity of 14.01 years as of December 31, 2005. Of the above balances, \$176,826 of the U.S. treasuries and all of the corporate securities are callable.

The Association's portfolio of U.S. agencies securities includes two inverse variable-rate notes; one with a par value of \$50,000 that matures November 2008 and the other with a par value of \$100,000 that matures November 2023. The fair value of these notes as of December 31, 2005 was \$8,174 and \$19,716, respectively. For the \$50,000 note, the amount of the monthly coupon is calculated at negative 2.592 times the Eleventh District Monthly Weighted Average Cost of Funds Index (San Francisco) plus 18.144%, with a cap of 18.144%; thus, as interest rates increase, the coupon rate paid declines. For the \$100,000 note, the amount of the monthly coupon is calculated at negative 2.167 times one-month LIBOR (London Interbank Offered Rate) plus 17.333%, with a cap of 17.333%; similarly, as interest rates increase, the coupon rate paid declines. For both notes, the frequency of the coupon's reset date is monthly.

B. Receivables

Receivables in the governmental activities are as follows:

Taxes	\$ 48,990,093
Accounts	5,584,961
Leases	3,795,048
Intergovernmental	7,915,288
Less: allowance for uncollectible accounts	<u>(352,386)</u>
	<u>\$ 65,933,004</u>

The only amount not expected to be collected within one year is \$2,841,500 of leases receivable.

Receivables for the business-type activities are composed entirely of amounts due from taxpayers for delinquent taxes and related interest and collections fees.

The aggregate component unit receivables totaling \$49,371,069 are comprised of leases receivable (83.2 percent), special assessments receivable (9.4 percent), and due from other governments (7.4 percent).

Governmental funds report deferred revenue in connection with receivables that are not available to liquidate liabilities of the current period, and with resources that have been received, but not earned. At year-end, deferred revenue reported in the governmental funds, and the unearned revenue in the governmental activities based on the nature of the respective items, was comprised of the following:

WASHTENAW COUNTY

NOTES TO FINANCIAL STATEMENTS

Property taxes receivable (General Fund)	\$ 22,514,339
Property taxes receivable (Parks and Recreation Fund)	9,720,275
Grant drawdowns prior to meeting all eligibility requirements	<u>473,066</u>
	<u><u>\$ 32,707,680</u></u>

C. Capital Assets

Primary Government - Capital asset activity for the year ended December 31, 2005 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 14,602,684	\$ 4,563,558	\$ -	\$ 19,166,242
Construction in progress	<u>2,183,486</u>	<u>365,008</u>	<u>(2,071,771)</u>	<u>476,723</u>
Total capital assets, not being depreciated	<u>16,786,170</u>	<u>4,928,566</u>	<u>(2,071,771)</u>	<u>19,642,965</u>
Capital assets, being depreciated:				
Buildings	101,444,010	9,545,820	(84,736)	110,905,094
Improvement other than buildings	11,072,065	1,629,653	-	12,701,718
Machinery and equipment	<u>15,065,657</u>	<u>1,290,346</u>	<u>(1,622,766)</u>	<u>14,733,237</u>
Total capital assets being depreciated	<u>127,581,732</u>	<u>12,465,819</u>	<u>(1,707,502)</u>	<u>138,340,049</u>
Less accumulated depreciation for:				
Buildings	(27,001,825)	(3,185,838)	18,389	(30,169,274)
Improvements other than buildings	(3,496,240)	(345,834)	-	(3,842,074)
Machinery and equipment	<u>(8,639,835)</u>	<u>(2,790,657)</u>	<u>1,396,712</u>	<u>(10,033,780)</u>
Total accumulated depreciation	<u>(39,137,900)</u>	<u>(6,322,329)</u>	<u>1,415,101</u>	<u>(44,045,128)</u>
Total capital assets being depreciated, net	<u>88,443,832</u>	<u>6,143,490</u>	<u>(292,401)</u>	<u>94,294,921</u>
Governmental activities capital assets, net	<u><u>\$105,230,002</u></u>	<u><u>\$ 11,072,056</u></u>	<u><u>\$ (2,364,172)</u></u>	<u><u>\$ 113,937,886</u></u>

WASHTENAW COUNTY

NOTES TO FINANCIAL STATEMENTS

Depreciation expense was charged to functions / programs of the primary government as follows:

Governmental activities:

Legislative	\$ 30,470
Judicial	1,072,722
General government	2,252,172
Public safety	895,368
Health	352,934
Social services	283,799
Culture and recreation	701,988
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>732,876</u>

Total depreciation expense-governmental activities	<u>\$ 6,322,329</u>
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Construction Commitments

The County has two active construction projects as of December 31, 2005. The Parks and Recreation department project is for border-to-border trail development. The commitments for the project are financed by Parks and Recreation revenues and reserves, along with state and federal grants. The Washtenaw County Space Plan Capital Improvement project includes architect, design services, and energy improvements to various buildings. The commitments for the projects are financed by general obligation bonds and reserves.

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Border-to-Border Trail Recreation Development	\$ 1,574,736	\$ 8,425,264
Energy Conservation Measures (various buildings)	5,914,680	450,320
Total	<u>\$ 7,489,680</u>	<u>\$ 8,875,584</u>

WASHTENAW COUNTY

NOTES TO FINANCIAL STATEMENTS

Discretely Presented Component Units

Drain Commissioner. Capital asset activity for the Drain Commissioner for the year ended December 31, 2005 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated-				
Construction in progress	<u>\$ 710,516</u>	<u>\$ 293,419</u>	<u>\$ (338,371)</u>	<u>\$ 665,564</u>
Capital assets, being depreciated-				
Infrastructure	19,166,423	338,371	-	19,504,794
Less accumulated depreciation for-				
Infrastructure	<u>(5,625,914)</u>	<u>(381,534)</u>	<u>-</u>	<u>(6,007,448)</u>
Total capital assets being depreciated, net	<u>13,540,509</u>	<u>(43,163)</u>	<u>-</u>	<u>13,497,346</u>
Drain Commissioner capital assets, net	<u><u>\$14,251,025</u></u>	<u><u>\$ 250,256</u></u>	<u><u>\$ (338,371)</u></u>	<u><u>\$14,162,910</u></u>

WASHTENAW COUNTY

NOTES TO FINANCIAL STATEMENTS

Road Commission. Capital asset activity for the Road Commission for the year ended December 31, 2005 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land and land improvements	<u>\$16,668,153</u>	<u>\$ 720,396</u>	<u>\$ -</u>	<u>\$17,388,549</u>
Capital assets, being depreciated:				
Buildings and storage bins	12,779,219	2,855	-	12,782,074
Road equipment	12,341,223	862,226	(1,094,651)	12,108,798
Other equipment	1,788,871	68,474	-	1,857,345
Brine wells and gravel pits	136,386	-	-	136,386
Infrastructure	<u>206,166,995</u>	<u>12,305,934</u>	<u>-</u>	<u>218,472,929</u>
Total capital assets being depreciated	<u>233,212,694</u>	<u>13,239,489</u>	<u>(1,094,651)</u>	<u>245,357,532</u>
Less accumulated depreciation for:				
Buildings and storage bins	(2,903,678)	(313,756)	-	(3,217,434)
Road equipment	(9,712,727)	(972,815)	1,088,927	(9,596,615)
Other equipment	(1,114,735)	(152,606)	-	(1,267,341)
Brine wells and gravel pits	(136,386)	-	-	(136,386)
Infrastructure	<u>(78,933,516)</u>	<u>(8,448,580)</u>	<u>-</u>	<u>(87,382,096)</u>
Total accumulated depreciation	<u>(92,801,042)</u>	<u>(9,887,757)</u>	<u>1,088,927</u>	<u>(101,599,872)</u>
Total capital assets being depreciated, net	<u>140,411,652</u>	<u>3,351,732</u>	<u>(5,724)</u>	<u>143,757,660</u>
Road Commission capital assets, net	<u><u>\$157,079,805</u></u>	<u><u>\$ 4,072,128</u></u>	<u><u>\$ (5,724)</u></u>	<u><u>\$161,146,209</u></u>

WASHTENAW COUNTY

NOTES TO FINANCIAL STATEMENTS

D. Payables

Accounts payable and accrued liabilities in the governmental activities are as follows:

Accounts	\$ 4,026,670
Wages, fringe benefits and other accrued liabilities	5,667,061
Intergovernmental	195,143
	<u>\$ 9,888,874</u>

E. Interfund Receivables, Payables and Transfers

The composition of interfund balances as of December 31, 2005, is as follows:

Advances to/from other funds	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 881,264	\$ -
County Capital Projects	913,381	
Internal service funds	-	1,794,645
Total	<u>\$ 1,794,645</u>	<u>\$ 1,794,645</u>
Interfund receivable/payable		
County Capital Projects	\$ 3,042,763	\$ -
Community Support & Treatment Services	-	2,084,875
Nonmajor governmental funds	-	957,888
Nonmajor enterprise funds	-	20,000
Internal service funds	440,000	420,000
Total	<u>\$ 3,482,763</u>	<u>\$ 3,482,763</u>

The advances from the General Fund and the County Capital Projects Fund as well as the interfund receivable in the County Capital Projects fund were executed in order to assist the cash position (cash flow) of the respective recipient funds.

WASHTENAW COUNTY

NOTES TO FINANCIAL STATEMENTS

A summary of interfund transfers for the year ended December 31, 2005, is as follows:

Interfund transfers	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 6,611,427	\$20,481,873
Community Support & Treatment Services	271,088	-
Revenue Sharing Reserve	-	5,731,819
County Capital Projects	6,894,751	4,523,263
Nonmajor governmental funds	30,744,690	12,574,719
Delinquent Tax Revolving	-	1,921,574
Internal service funds	<u>1,809,676</u>	<u>476,612</u>
Total per financial statements	\$46,331,632	\$45,709,860
Adjustments for September 30 year end	<u>(621,772)</u>	<u>-</u>
Total	<u><u>\$45,709,860</u></u>	<u><u>\$45,709,860</u></u>

Transfers are used to: (1) move unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; (2) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; and (3) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service funds as debt service payments become due.

Total transfers in for the primary government as shown in the accompanying financial statements were \$46,331,632 and total transfers out were \$45,709,860. The difference between these amounts, \$621,772, was attributable to transactions with the Public Health and Community Support & Treatment Services funds, which are reported on a September 30 year-end. As such, this is reported as an uneliminated internal balance in the statement of activities.

F. Leases

Operating Leases - The County has commitments under operating lease agreements which provide for annual minimum lease payments as follows:

2006	\$ 353,318
2007	198,906
2008	182,526
2009	182,526
2010	182,526
2011	1,026
2012	1,026
2013	1,026
Total	<u><u>\$ 1,102,880</u></u>

WASHTENAW COUNTY

NOTES TO FINANCIAL STATEMENTS

Rental expense for all operating leases aggregated \$291,826 for the year ended December 31, 2005.

Lessor Leases – The County has leased certain land to Huron Valley Ambulance, Inc. (HVA) under a capital lease agreement. HVA has commitments under the lease which provide for annual minimum lease payments of \$51,802 during 2005 and continuing for the next four years. At the end of the lease, the County is required to quit claim deed the land to HVA.

G. Long-term Debt

Primary Government

The County issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities. The original amount of general obligation bonds issued in prior years was \$55,910,000. The County issues general obligation notes to provide monies for the purchase of the delinquent taxes receivable from local units of government. The original amount of general obligation notes was \$10,000,000.

General obligation bonds and notes are direct obligations and pledge the full faith and credit of the government. Bonds are generally issued as 15 to 20-year serial bonds with varying amounts of principal maturing each year. Notes are generally issued with a six-month due maturity. General obligation bonds and notes currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental activities	2.0 – 5.5%	\$ 10,230,000
Governmental activities - refunding	2.0 - 4.75%	25,385,000
Business-type activities	5.175%	10,000,000
		<u><u>\$ 45,615,000</u></u>

Annual debt service requirements to maturity for general obligation bonds and notes are as follows:

<u>Year Ending</u> <u>December 31</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 2,965,000	\$ 1,198,125	\$ 10,000,000	\$ 345,173
2007	2,755,000	1,117,593	-	-
2008	2,825,000	1,037,766	-	-
2009	2,865,000	964,196	-	-
2010	2,910,000	885,659	-	-
2011-2015	12,270,000	3,033,948	-	-
2016-2020	6,860,000	1,280,488	-	-
2021-2024	2,165,000	226,312	-	-
Total	<u><u>\$ 35,615,000</u></u>	<u><u>\$ 9,744,087</u></u>	<u><u>\$ 10,000,000</u></u>	<u><u>\$ 345,173</u></u>

WASHTENAW COUNTY

NOTES TO FINANCIAL STATEMENTS

In addition to general obligation bonds and notes, the County has an interest-free loan from the Michigan Economic Development Corporation in the original amount of \$292,133. The borrowed monies were used in conjunction with funds received under a federal Community Development Block Grant to fund renovation work in Hanger 1 at Willow Run Airport. The loan will be repaid in 60 quarterly installments of \$4,869 beginning in the first quarter of 2005 and ending in the fourth quarter of 2019. The total remaining amount outstanding at December 31, 2005 is \$272,658. Willow Run Airport Authority will be reimbursing the County for the debt service payments made by the County.

Advance refundings. During the year, the County issued \$11,475,000 of general obligation limited tax refunding bonds to provide resources to purchase U. S. Government securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$10,550,000 bonds. As a result, the \$10,550,000 bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by \$786,730. This amount is being netted against the new debt and amortized over the new debt's life, which is the same as the refunded debt. The advance refunding resulted in an economic gain of \$516,165 and a reduction of \$651,604 in future debt service payments.

Component Units

Department of Public Works Projects. General obligation bonds are issued by the County to finance construction projects managed and administered by the Department of Public Works. General obligation bonds have been issued for governmental activities. The original amount of general obligation bonds issued in prior years was \$58,893,594.

These bonds are direct obligations, and pledge the full faith and credit, of the County and the associated municipalities and/or authorities. The bonds are issued as 10 to 20-year serial bonds with varying amounts of principal maturing each year through June 1, 2022 and bear interest at varying rates from 2.0% to 6.75%. General obligation bonds currently outstanding are summarized as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental activities	2.25 - 7.625%	\$ 33,777,279
Governmental activities - refunding	3.35 - 6.75%	<u>7,330,000</u>
		<u>\$ 41,107,279</u>

WASHTENAW COUNTY

NOTES TO FINANCIAL STATEMENTS

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending December 31	Governmental Activities	
	<u>Principal</u>	<u>Interest</u>
2006	\$ 3,655,000	\$ 1,730,356
2007	3,145,000	1,593,099
2008	2,715,000	1,480,357
2009	2,650,000	1,368,419
2010	2,720,000	1,250,666
2011-2015	13,710,000	4,510,698
2016-2020	10,077,279	1,696,459
2021-2022	2,435,000	112,815
Total	<u>\$ 41,107,279</u>	<u>\$ 13,742,869</u>

Drain Commissioner. General obligation drain improvement bonds and notes are issued by the County to finance certain drainage district construction projects. General obligation bonds have been issued for governmental activities. The original amount of general obligation bonds and notes issued in prior years was \$7,693,970. During the year general obligation notes totaling \$234,000 were issued.

These bonds and notes are direct obligations, and pledge the full faith and credit of the County and the respective drainage districts. The bonds are generally issued as 10 to 20-year serial bonds with varying amounts of principal maturing each year. General obligation bonds and notes currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental activities	1.97 - 6.8%	\$3,539,805

Annual debt service requirements to maturity for general obligation bonds and notes are as follows:

Year Ending December 31	Governmental Activities	
	<u>Principal</u>	<u>Interest</u>
2006	\$ 1,082,095	\$ 143,405
2007	684,550	105,938
2008	448,260	73,328
2009	419,450	53,086
2010	347,950	35,588
2011-2015	557,500	55,495
Total	<u>\$ 3,539,805</u>	<u>\$ 466,840</u>

WASHTENAW COUNTY

NOTES TO FINANCIAL STATEMENTS

Road Commission. The Road Commission has capital leases and notes outstanding.

The Road Commission has a lease payable to the Washtenaw County Building Authority for the debt service costs related to bonds that were sold for the construction of Yard 2. The lease agreement terminates with the retirement of the bond issue in September 2013. The annual lease payment is equal to the related bond principal and interest.

The transportation fund notes were issued in accordance with the statutory requirements of Michigan Public Act 143 of 1943, as amended. The monies from these notes were used to fund improvements on county highways in Scio Township and Ypsilanti Township. Following is a summary of debt currently outstanding:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental activities	3.75 - 7.0%	\$ 5,600,000

Annual principal and interest requirements to service outstanding debt as of December 31, 2005 are as follows:

<u>Year Ending</u> <u>December 31</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2006	\$ 755,000	\$ 200,150
2007	775,000	174,877
2008	770,000	148,732
2009	780,000	121,714
2010	675,000	93,438
2011-2013	1,845,000	127,939
Total	\$ 5,600,000	\$ 866,850

WASHTENAW COUNTY

NOTES TO FINANCIAL STATEMENTS

Changes in Long-Term Debt

Long-term liability activity for the year ended December 31, 2005 was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Primary Government					
Governmental activities:					
Loan from State of Michigan	\$ 292,133	\$ -	\$ (19,475)	\$ 272,658	\$ 19,476
Capital leases	136,872	-	(136,872)	-	-
General obligation bonds	38,120,000	11,475,000	(13,980,000)	35,615,000	2,965,000
Less deferred amounts for:					
Issuance discounts	(45,000)	-	2,500	(42,500)	-
Issuance premiums	195,017	95,406	(28,029)	262,394	-
Refunding loss	(612,092)	(786,730)	120,459	(1,278,363)	-
Compensated absences	11,297,503	9,373,830	(8,094,361)	12,576,972	1,076,223
	<u>\$ 49,384,433</u>	<u>\$ 20,157,506</u>	<u>\$ (22,135,778)</u>	<u>\$ 47,406,161</u>	<u>\$ 4,060,699</u>
Business-type activities:					
Delinquent Tax -					
General obligation notes	\$ 11,000,000	\$ 10,000,000	\$ (11,000,000)	\$ 10,000,000	\$10,000,000
Compensated absences	5,648	15,475	(9,916)	11,207	2,143
	<u>\$ 11,005,648</u>	<u>\$ 10,015,475</u>	<u>\$ (11,009,916)</u>	<u>\$ 10,011,207</u>	<u>\$10,002,143</u>
Component Units					
Department of Public Works Projects:					
General obligation bonds	\$ 45,237,279	\$ -	\$ (4,130,000)	\$ 41,107,279	\$ 3,655,000
Less deferred amounts for issuance discounts	(197,702)	-	11,473	(186,229)	-
	<u>\$ 45,039,577</u>	<u>\$ -</u>	<u>\$ (4,118,527)</u>	<u>\$ 40,921,050</u>	<u>\$ 3,655,000</u>
Drain Commissioner:					
General obligation bonds	\$ 2,620,000	\$ -	\$ (405,000)	\$ 2,215,000	\$ 405,000
Notes payable	1,741,400	234,000	(650,595)	1,324,805	677,095
Less deferred amounts for issuance discounts	(5,070)	-	779	(4,291)	-
	<u>\$ 4,356,330</u>	<u>\$ 234,000</u>	<u>\$ (1,054,816)</u>	<u>\$ 3,535,514</u>	<u>\$ 1,082,095</u>
Road Commission:					
Michigan transportation fund notes	\$ 2,875,000	\$ -	\$ (395,000)	\$ 2,480,000	\$ 395,000
Special assessment bonds	70,000	-	(70,000)	-	-
Lease payable	3,460,000	-	(340,000)	3,120,000	360,000
Less deferred amounts for refunding loss	(135,470)	-	27,094	(108,376)	-
Compensated absences	751,057	771,892	(706,756)	816,193	94,997
	<u>\$ 7,020,587</u>	<u>\$ 771,892</u>	<u>\$ (1,484,662)</u>	<u>\$ 6,307,817</u>	<u>\$ 849,997</u>

WASHTENAW COUNTY

NOTES TO FINANCIAL STATEMENTS

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year end, \$381,722 of internal service funds compensated absences are included in the above amounts. Also, for the governmental activities, compensated absences are generally liquidated by the General Fund.

IV. OTHER INFORMATION

A. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County has established internal service funds to account for and finance its uninsured risks of loss. Under this program, the internal service funds provide coverage up to a maximum of \$250,000 for each general liability, police liability or property claim, with no loss fund. The internal service funds also provide coverage up to \$250,000 for any settlement, with all attorney fees being covered under the insurance policy for public officials and employee liability claims, up to \$300,000 for each worker's compensation claim, and up to \$250,000 for each professional liability claim. The County purchases commercial insurance for claims in excess of coverage provided by the funds and for all other risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

All funds of the County participate in the program and make payments to the internal service funds based on rates established to fund estimated actual liabilities. The total claims liability of \$2,273,000 reported in the funds at December 31, 2005, is based on the requirements of Governmental Accounting Standards Board Statement No. 10, as amended, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The County has estimated its ultimate liability based upon estimates of known claims and actuarial based computations of incurred but not reported claims. The claims liability is presented at its net present value using an annual discount rate of 6%.

Changes in the funds' claims liability amount for the past two years were:

	<u>2005</u>	<u>2004</u>
Balance at beginning of year	\$ 1,806,000	\$ 1,970,000
Current year claims and changes		
in estimates	17,474,178	14,402,649
Claims paid	(17,007,178)	(14,566,649)
Balance at end of year	<u>\$ 2,273,000</u>	<u>\$ 1,806,000</u>

WASHTENAW COUNTY

NOTES TO FINANCIAL STATEMENTS

Component units participate in the County's self-insurance program, except for the Road Commission, which purchases commercial insurance for health care claims and participates in the Michigan County Road Commission Self-Insurance Pool for claims relating to property loss, torts, and errors and omissions. The Michigan County Road Commission Self-Insurance Pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

B. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by those agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the County expects such amounts, if any, to be immaterial.

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the County's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the County.

C. Property Taxes

Through 2004, the County property taxes have been levied on December 1 of each year (the lien date) and are due in full by March 1 of the year following the levy, at which time uncollected taxes become delinquent. Pursuant to Public Act 357 of 2004, which provides a funding mechanism to replace state revenue sharing payments to counties, the County's levy date is gradually shifting (or accelerating) from December 1 to July 1 of each year. As such, for the year ended December 31, 2005, the County recognized the full December 1, 2004 levy and the July 1, 2005 levy, which represents one-third of the total tax levy for calendar 2005. In 2006, two-thirds of the County property tax will be levied July 1 and then in 2007, and for each year thereafter, all of the County property tax will be levied July 1.

Property taxes are levied on the assessed taxable value of the property as established by local units, accepted by the County and equalized under State statute at approximately 50% of the current estimated market value. In March 1994, Michigan voters approved Proposal A, which limits annual increases in assessed values to the lesser of 5% or the rate of inflation with assessed value reverting to 50% of true cash value when the property is sold.

The assessed and taxable value of real and personal property for the December 1, 2004 levy, for which revenue was recognized in fiscal 2005, was \$12.8 billion. The general operating tax rate for this levy was at the maximum rate of 4.6110 mills, as adjusted by the Headlee Amendment to the State of Michigan Constitution. The County also had a voter approved tax of 0.4786 mills for parks and recreation purposes and 0.2443 mills for purchase of selected natural areas in the County.

WASHTENAW COUNTY

NOTES TO FINANCIAL STATEMENTS

The assessed and taxable value of real and personal property for the July 1, 2005 levy, for which revenue was recognized in fiscal 2005, was \$13.7 billion. The general operating tax rate for this levy was at the maximum rate of 4.5713 mills, as adjusted by the Headlee Amendment to the State of Michigan Constitution.

By agreement with various taxing authorities, the County purchases at face value the real property taxes returned delinquent each March 1 and records a corresponding delinquent taxes receivable. These receivables (\$7.7 million at December 31, 2005) are pledged to a bank for payment of the notes payable and subsequent collection of the receivables, interest and collection fees thereon, and investment earnings are used to extinguish the debt.

D. Joint Venture

In 1999, the County entered into an agreement with the University of Michigan (the “University”) to form the *Washtenaw Community Health Organization (WCHO)* for the purpose of establishing an integrated health care delivery system to provide mental health, substance abuse, and primary and specialty health care to Medicaid, low income and indigent consumers as defined by the Michigan Mental Health Code and Medicaid eligibility guidelines.

WCHO is governed by a 12-member board; both the County and University appoint six members each. Under the agreement, WCHO replaced the County as the contractor for the mental health and substance abuse managed care contracts with the State of Michigan. This change was effective October 1, 2000, and currently provides the primary source of funding for WCHO.

The agreement also provides that the County and University will share equally in any gains or losses generated by WCHO, subject to certain limitations. However, because the agreement prohibits the distribution of any assets until WCHO is terminated and/or dissolved (and there are specific restrictions on the use of gains under the managed care contracts with the State of Michigan), WCHO is deemed to be a “joint venture with no equity interest.” Accordingly, no amounts are reported in the accompanying financial statements for the County’s equity in WCHO.

WCHO has a September 30 fiscal year end. Financial information may be obtained by writing to WCHO at P.O. Box 917, Ypsilanti, Michigan 48197.

WASHTENAW COUNTY

NOTES TO FINANCIAL STATEMENTS

E. Jointly Governed Organizations

The *Washtenaw Central Dispatch and Technology Authority (WCDTA)* was originally established to provide centralized public safety dispatching for law enforcement, fire and emergency medical services to the Sheriff's Department, the Michigan State Police, Northfield Township Police, Huron Valley Ambulance, the townships of Ann Arbor, Augusta, Manchester, Northfield, Salem, Scio and Superior, and Dexter Area Fire Department. The organization is governed by a 12-member board. There was no financial activity for the Authority for the year ended December 31, 2005. Public safety dispatching services for the Sheriff's Department, Northfield Township Police and the Michigan State Police were provided by the County during 2005.

The County has no significant influence over the management of WCDTA. Therefore, WCDTA is not included in the County's financial report.

The *Washtenaw County 800 MHz Communications Consortium* (the Consortium) was formed to provide for the ownership, governance and management of a public safety/public service communications system that delivers reliable, interoperable wireless communications throughout Washtenaw County. The County and the cities of Ann Arbor, Saline, and Milan are charter members of the Consortium. The Consortium is governed by an executive board.

The County has no significant influence over the management of the Consortium. Financial accountability is limited to the extent of any appropriated operating grant. Therefore, the Consortium is not included in the County's financial report. Separate financial statements for the Consortium may be obtained by writing to the Washtenaw County Finance Department, 220 North Main Street, Ann Arbor, Michigan 48107 or by calling (734) 222-6750.

The *Washtenaw County HOME Consortium* (the Consortium) was formed pursuant to the Urban Cooperation Act (MCLA 124.501) for the purpose of cooperating with other local governments in housing assistance activities under the HOME program (Home Investment Partnership Program) and for the purpose of formulating and submitting a consolidated plan in order to receive a HOME program allocation from the U.S. Department of Housing and Urban Development (HUD).

The City of Ypsilanti and Washtenaw County are members of the Consortium. The County serves as lead entity for the Consortium. The County has been granted financial and fiscal authority and responsibility for all funds received. The County is the official recipient of the HOME program dollars from HUD. The HOME program is included in the audit of Washtenaw County.

Financial information may be obtained by writing to the Washtenaw County Finance Department, 220 North Main Street, Ann Arbor, Michigan 48107 or by calling (734) 222-6750.

WASHTENAW COUNTY

NOTES TO FINANCIAL STATEMENTS

The *Washtenaw Urban County* was created by a formal cooperation agreement between the County and the following townships: Ypsilanti, Salem, Pittsfield, Superior, Bridgewater, Northfield and Ann Arbor. The Urban County is an Entitlement Community created under the Urban Cooperation Act for the period of July 1, 2003 through June 30, 2006. Beginning July 1, 2006, the Washtenaw Urban County will include the following three new jurisdictions: City of Ypsilanti, Scio Township, and York Township. The Urban County jurisdictions receive HOME (Home Investment Partnership Program) funds and CDBG (Community Development Block Grant) funds for use in those jurisdictions to address community development and housing needs. The chairperson of the Washtenaw County Board of Commissioners and the chief elected officials of the ten jurisdictions participating in the Urban County have joined together to form the Urban County Executive Committee. The Urban County Executive Committee serves as the decision-making body for those funds.

Financial information may be obtained by writing to the Washtenaw County Finance Department, 220 North Main Street, Ann Arbor, Michigan 48107 or by calling (734) 222-6750.

F. Pension and Other Postemployment Benefits

The County provides pension and postemployment health care benefits to eligible employees through the following plans:

County administered:

Employees Retirement System (ERS)

Money Purchase Pension Plan (MPPP)

Voluntary Employees Beneficiary Association (VEBA)

Municipal Employees Retirement System of Michigan (MERS)

The County issues publicly available financial reports for ERS, MPPP and VEBA that include financial statements and required supplementary information, as applicable. These financial reports may be obtained by writing to Washtenaw County Finance Department, 220 North Main Street, Ann Arbor, Michigan 48107 or by calling (734) 222-6750. Information regarding the aforementioned plans is presented below.

County Administered Plans – Plan Descriptions, Funding Policies and Other Disclosures

Employees Retirement System (ERS). The County has a single-employer defined benefit retirement plan which provides pension benefits to all full-time, regular employees hired prior to January 1, 1989. County Ordinances assign the authority to establish and amend benefit provisions and contribution requirements to the County Board of Commissioners, subject to the terms of collective bargaining agreements. Sheriff and non-Sheriff department Plan members are required to contribute 7% and 5%, respectively, of their annual compensation to the System for pension benefits. The County's contribution for the Sheriff and non-Sheriff department Plan members for the year ended December 31, 2005, represents 15.16% and 25.08%, respectively, of annual covered payroll.

WASHTENAW COUNTY

NOTES TO FINANCIAL STATEMENTS

The County's annual pension cost and net pension obligation for the current year were as follows:

Annual required contribution / cost	\$ 2,700,525
Contributions made	2,700,525
Increase (decrease) in net pension obligation	-
Net pension obligation, beginning of year	-
Net pension obligation, end of year	\$ -

The annual required contribution for the current year was determined as part of the December 31, 2003, actuarial valuation using the aggregate cost actuarial funding method, which does not identify or separately amortize unfunded actuarial liabilities. The actuarial assumptions included: (a) a rate of return on investments of 7.75% per year compounded annually; (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation; (c) additional projected salary increases ranging from 0.0% to 7.4% per year, depending on age and service, attributable to seniority/merit; and (d) the assumptions that pension benefits will not increase after retirement and health insurance premiums will increase 5.0% per year. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the fair value of investments over a five-year period. The latest actuarial valuation was performed as of December 31, 2004.

Three-Year Trend Information

	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
<u>Year Ended</u>			
12/31/03	\$ 1,651,416	100%	\$ -
12/31/04	2,451,764	100%	-
12/31/05	2,700,525	100%	-

GASB Statement 25 required supplementary information is presented after the notes to the financial statements section of this report.

Money Purchase Pension Plan (MPPP). The Washtenaw County Money Purchase Pension Plan (MPPP; the "Plan") is a defined contribution pension plan established and administered by Washtenaw County to provide benefits at retirement to all regular employees of the County hired on or after January 1, 1989 who work greater than 50% hours. Plan members are required to contribute 6% or 7.5% of covered salary depending on the particular collective bargaining unit. The County is required to match the plan member contributions. Plan provisions and contribution requirements are established and may be amended by the Washtenaw County Board of Commissioners, subject to the County's various collective bargaining agreements. The employer and employee contributions totaled approximately \$3.3 million and \$2.9 million, respectively, for the year ended December 31, 2005.

WASHTENAW COUNTY

NOTES TO FINANCIAL STATEMENTS

Voluntary Employees Beneficiary Association (VEBA). The Washtenaw County Voluntary Employees Beneficiary Association (VEBA; the “Plan”) is a single-employer defined benefit post-employment healthcare plan established by Washtenaw County to provide medical and healthcare benefits for retirees and their beneficiaries. Eligible participants include any retirees who receive pension benefits under one of the County’s pension plans. Plan provisions are established and may be amended by the Washtenaw County Board of Commissioners, subject to the County’s various collective bargaining agreements. The Plan is funded by a trust agreement established pursuant to Section 501(c)(9) of the Internal Revenue Code which allows for the formation of a VEBA.

Subject to certain age and length of service requirements, eligible participants receive the same or comparable medical insurance coverage under the Plan as was in effect at the time of their employment. At such time that participants become Medicare eligible, the benefits under the Plan change to Medicare Supplemental coverage.

Employer contributions to fund the Plan are currently on a pay-as-you-go basis with additional contributions intended to build the fund for purposes of paying future benefits. Employer contributions for the year ended December 31, 2005 were \$6,039,693. Although an actuarial valuation of the Plan was completed during 2005, the County has determined that it will establish an annual employer contribution rate using the actuarial valuation as a reference, but not as a definitive requirement. Employees are not required to contribute to the Plan.

As of December 31, 2005, 570 members received healthcare benefits under the Plan, and the cost of those benefits amounted to \$5,161,271.

County Administered Plans – Summary of Significant Accounting Policies

The financial statements of ERS, MPPP and VEBA are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. The County’s contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plans.

Plan investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair values.

WASHTENAW COUNTY

NOTES TO FINANCIAL STATEMENTS

Municipal Employees Retirement System of Michigan

The County participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer defined benefit pension plan providing retirement, death and disability benefits for certain full-time Washtenaw County Sheriff Department employees. The System is administered by the MERS Retirement Board. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. A publicly available financial report that includes financial statements and required supplementary information for MERS may be obtained by writing to the Municipal Employees Retirement System of Michigan, 1134 Municipal Way, Lansing, Michigan 48917 or by calling (800) 767-6377.

The County is required to contribute at an actuarially determined rate; the current rate is 6.07% of annual covered payroll. Participating employees are required to contribute 5.0% of their annual covered payroll. The contribution requirements of the County are established and may be amended by the MERS Retirement Board. The contribution requirements of plan members are established and may be amended by the County, subject to collective bargaining agreements and depending on the MERS contribution program adopted by the County.

For the year ended December 31, 2005, the County's annual pension cost of \$972,278 for MERS was equal to the County's required and actual contributions. The required contribution was determined as part of the December 31, 2003 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included: (a) a rate of return on the investment of present and future assets of 8.0%; (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation; and (c) additional projected salary increases of 0.0% to 4.2% per year, depending on age, attributable to seniority/merit. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return and includes an adjustment to reflect fair value. The County's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2004, the date of the latest actuarial valuation, was 30 years.

Three-Year Trend Information

	Annual		
	Pension	Percentage	Net
	Cost	of APC	Pension
<u>Year Ended</u>	<u>(APC)</u>	<u>Contributed</u>	<u>Obligation</u>
12/31/03	\$ 774,093	100%	\$ -
12/31/04	956,387	100%	-
12/31/05	972,278	100%	-

WASHTENAW COUNTY

NOTES TO FINANCIAL STATEMENTS

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio Total	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/95	\$ 2,435,138	\$ 3,283,020	\$ 847,882	74%	\$ 4,480,912	19%
12/31/96	3,085,321	4,802,223	1,716,902	64%	5,328,994	32%
12/31/97	3,993,680	5,664,736	1,671,056	71%	6,757,788	25%
12/31/98	5,553,259	6,585,312	1,032,053	84%	7,300,718	14%
12/31/99	7,104,392	8,961,586	1,857,194	79%	8,736,898	21%
12/31/00	8,825,067	10,626,535	1,801,468	83%	9,571,961	19%
12/31/01	10,576,339	12,361,200	1,784,861	86%	11,020,092	16%
12/31/02	12,389,117	15,438,644	3,049,527	80%	13,046,728	23%
12/31/03	15,087,281	18,117,442	3,030,161	84%	14,256,334	22%
12/31/04	17,732,213	22,080,360	4,348,147	80%	15,616,254	28%

Component Unit

The Road Commission participates in MERS, an agent multiple-employer defined benefit pension plan that covers nearly all employees of the Road Commission. The Road Commission's MERS plan is separate from that of the County's. The system provides retirement, disability and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at 1134 Municipal Way, Lansing, Michigan 48917.

The obligation to contribute to and maintain the system for these employees was established by resolution of the Road Commission Board.

For the year ended December 31, 2005, the Road Commission's annual pension cost of \$823,729 for the plan was equal to the Road Commission's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2004, using the entry age normal cost method. Significant actuarial assumptions used include: (a) an 8.0% investment rate of return; (b) projected salary increases of 4.5% to 8.7% per year, which include an inflation component of 4.5%; and (c) no post retirement benefit increases. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The amortization period is 30 years. Employees are required to contribute 5.0% of their annual covered payroll.

WASHTENAW COUNTY

NOTES TO FINANCIAL STATEMENTS

Three-Year Trend Information

<u>Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/03	\$ 610,255	100%	\$ -
12/31/04	633,502	100%	-
12/31/05	823,729	100%	-

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio Total</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
12/31/98	\$ 17,646,976	\$ 18,438,632	\$ 791,656	96%	\$ 4,911,946	16%
12/31/99	19,916,284	19,652,840	(263,444)	101%	5,557,826	0%
12/31/00	21,416,609	21,954,492	537,883	98%	5,393,251	10%
12/31/01	22,474,326	23,152,354	678,028	97%	5,761,249	12%
12/31/02	22,566,839	27,539,205	4,972,366	82%	6,054,035	82%
12/31/03	23,848,237	31,276,579	7,428,342	76%	6,790,857	109%
12/31/04	25,129,965	33,025,576	7,895,611	76%	6,911,250	114%

* * * * *



**Required
Supplementary Information**

WASHTENAW COUNTY
Employees' Retirement System
Required Supplementary Information

Schedule of Funding Progress - Pension Only

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial Valuation Date December 31	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL) (2-1)	Funded Ratio (1/2)	Covered Payroll	UAAL as a % of Covered Payroll (3/5)
1995	\$ 101,442,954	\$ 86,726,240	\$ (14,716,714)	117.0%	\$ 12,044,411	-122.2%
1996	108,627,450	95,561,046	(13,066,404)	113.7%	11,600,274	-112.6%
1997	120,280,457	117,942,286	(2,338,171)	102.0%	10,637,600	-22.0%
1998	133,580,663	133,430,791	(149,872)	100.1%	11,295,189	-1.3%
1999	146,587,299	144,026,699	(2,560,600)	101.8%	11,609,168	-22.1%
2000	156,959,460	152,942,076	(4,017,384)	102.6%	11,589,561	-34.7%
2001	163,564,179	166,381,778	2,817,599	98.3%	13,843,557	20.4%
2002	157,473,610	169,389,000	11,915,390	93.0%	12,836,355	92.8%
2003	157,237,691	173,989,111	16,751,420	90.4%	12,332,026	135.8%
2004	150,576,655	177,524,551	26,947,896	84.8%	12,134,962	222.1%

For purposes of the Schedule of Funding Progress, the actuarial accrued liability values as shown are determined using the entry age actuarial cost method. However, the System uses the aggregate cost actuarial funding method, which does not identify or separately amortize unfunded actuarial liabilities.

Schedule of Employer Contributions

Year Ended December 31	Annual Required Contribution	Annual Actual Contribution	Percentage Contributed
1996	\$ 146,136	\$ 151,280	103.5%
1997	-	-	0.0%
1998	-	-	0.0%
1999	1,038,243	1,038,243	100.0%
2000	1,513,759	1,513,759	100.0%
2001	1,449,631	1,449,631	100.0%
2002	1,456,780	1,456,780	100.0%
2003	1,651,416	1,651,416	100.0%
2004	2,451,764	2,451,764	100.0%
2005	2,700,525	2,700,525	100.0%



Supplementary Information

WASHTENAW COUNTY
Combining Balance Sheet - Nonmajor Governmental Funds
December 31, 2005

Special Revenue Funds

	Aerial Photo	Building Services	Child Care	County Library	Public Works Solid Waste Program	E-911
<u>ASSETS</u>						
Assets						
Cash and pooled investments	\$ 210,537	\$ 202,628	\$ -	\$ 146,176	\$ 210,156	\$ 512,843
Accounts receivable	-	13,245	2,633	-	132,370	1,362
Due from other governments	-	-	809,642	-	-	100,000
Notes receivable	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	-
<u>TOTAL ASSETS</u>	<u>\$ 210,537</u>	<u>\$ 215,873</u>	<u>\$ 812,275</u>	<u>\$ 146,176</u>	<u>\$ 342,526</u>	<u>\$ 614,205</u>
<u>LIABILITIES AND FUND BALANCES</u>						
Liabilities						
Accounts payable	\$ -	\$ -	\$ 82,683	\$ -	\$ -	\$ 240,057
Accrued liabilities	-	24,469	114,903	17,372	3,155	4,204
Due to other governments	-	-	-	-	-	-
Interfund payable	-	-	252,745	-	-	-
Deferred revenue	-	-	-	-	-	-
Advances from other governments	-	-	-	-	-	-
Total liabilities	-	24,469	450,331	17,372	3,155	244,261
Fund balances						
Reserved for prepaid items	-	-	-	-	-	-
Unreserved, undesignated	210,537	191,404	361,944	128,804	339,371	369,944
Total fund balances	210,537	191,404	361,944	128,804	339,371	369,944
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$ 210,537</u>	<u>\$ 215,873</u>	<u>\$ 812,275</u>	<u>\$ 146,176</u>	<u>\$ 342,526</u>	<u>\$ 614,205</u>

Special Revenue Funds

Environ- mental Health	Employment Training and Community Services	Friend of the Court	Family Independence Agency	Head Start	Inmate Concessions	Other Special Revenue Funds	Prosecuting Attorney Grants
\$ 230,336	\$ -	\$ -	\$ 77,439	\$ -	\$ 230,168	\$ 157,835	\$ -
-	-	-	-	-	-	32,558	-
17,285	1,081,141	867,203	55,913	350,240	-	1,401,814	305,579
-	-	-	-	-	-	288,390	-
-	32,444	-	-	-	-	-	-
<u>\$ 247,621</u>	<u>\$ 1,113,585</u>	<u>\$ 867,203</u>	<u>\$ 133,352</u>	<u>\$ 350,240</u>	<u>\$ 230,168</u>	<u>\$ 1,880,597</u>	<u>\$ 305,579</u>
\$ 1,453	\$ 1,216	\$ 997	\$ -	\$ 59,699	\$ 180	\$ 54,416	\$ 25
70,607	166,105	110,865	-	62,351	-	101,414	20,226
-	55,239	1,822	-	-	-	-	250
-	178,656	147,132	-	120,397	-	-	233,317
-	109,230	-	-	-	-	187,394	-
-	-	-	82,000	-	-	-	-
<u>72,060</u>	<u>510,446</u>	<u>260,816</u>	<u>82,000</u>	<u>242,447</u>	<u>180</u>	<u>343,224</u>	<u>253,818</u>
-	32,444	-	-	-	-	-	-
175,561	570,695	606,387	51,352	107,793	229,988	1,537,373	51,761
<u>175,561</u>	<u>603,139</u>	<u>606,387</u>	<u>51,352</u>	<u>107,793</u>	<u>229,988</u>	<u>1,537,373</u>	<u>51,761</u>
<u>\$ 247,621</u>	<u>\$ 1,113,585</u>	<u>\$ 867,203</u>	<u>\$ 133,352</u>	<u>\$ 350,240</u>	<u>\$ 230,168</u>	<u>\$ 1,880,597</u>	<u>\$ 305,579</u>

WASHTENAW COUNTY
Combining Balance Sheet - Nonmajor Governmental Funds (Concluded)
December 31, 2005

	<u>Special Revenue Funds</u>			<u>Debt Service Funds</u>	
	<u>Public Health</u>	<u>Sheriff's Grants</u>	<u>Veterans' Trust</u>	<u>County</u>	<u>Building Authority</u>
<u>ASSETS</u>					
Assets					
Cash and pooled investments	\$ -	\$ 646,928	\$ 9,848	\$ -	\$ 13,846
Accounts receivable	653,311	-	-	-	-
Due from other governments	832,056	177,572	-	4,869	-
Notes receivable	-	-	-	-	-
Prepaid items	-	-	-	-	-
<u>TOTAL ASSETS</u>	<u>\$ 1,485,367</u>	<u>\$ 824,500</u>	<u>\$ 9,848</u>	<u>\$ 4,869</u>	<u>\$ 13,846</u>
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities					
Accounts payable	\$ 220,635	\$ 8,161	\$ -	\$ -	\$ -
Accrued liabilities	210,127	5,479	90	-	-
Due to other governments	54,882	1,562	-	-	-
Interfund payable	22,517	-	-	3,124	-
Deferred revenue	101,737	74,705	-	-	-
Advances from other governments	-	1,200	-	-	-
Total liabilities	<u>609,898</u>	<u>91,107</u>	<u>90</u>	<u>3,124</u>	<u>-</u>
Fund balances					
Reserved for prepaid items	-	-	-	-	-
Undesignated	875,469	733,393	9,758	1,745	13,846
Total fund balances	<u>875,469</u>	<u>733,393</u>	<u>9,758</u>	<u>1,745</u>	<u>13,846</u>
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$ 1,485,367</u>	<u>\$ 824,500</u>	<u>\$ 9,848</u>	<u>\$ 4,869</u>	<u>\$ 13,846</u>

Capital Projects		Total Other Governmental Funds
Building Authority		
\$ 776,650	\$	3,425,390
-		835,479
-		6,003,314
-		288,390
-		32,444
<u>\$ 776,650</u>	<u>\$</u>	<u>10,585,017</u>

\$ -	\$	669,522
-		911,367
-		113,755
-		957,888
-		473,066
-		83,200
<u>-</u>	<u>\$</u>	<u>3,208,798</u>
-		32,444
<u>776,650</u>	<u></u>	<u>7,343,775</u>
<u>776,650</u>	<u></u>	<u>7,376,219</u>
<u>\$ 776,650</u>	<u>\$</u>	<u>10,585,017</u>

WASHTENAW COUNTY
Combining Statement of Revenues, Expenditures and
Changes in Fund Balance - Nonmajor Governmental Funds
Year Ended December 31, 2005

	Special Revenue Funds					
	Aerial Photo	Building Services	Child Care	County Library	Public Works Solid Waste Program	E-911
Revenues						
Licenses and permits	\$ -	\$ 1,641,910	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	2,288	4,406,133	51,025	9,951	-
Charges for services	41,997	1,724	-	-	-	1,891,263
Fines and forfeits	-	-	-	3,522	-	-
Investment income	7,327	5,292	-	-	10,240	29,757
Other	-	(3)	1,031,686	84	474,412	39,366
Total revenues	49,324	1,651,211	5,437,819	54,631	494,603	1,960,386
Expenditures						
Current:						
Judicial	-	-	-	-	-	-
General government	15,627	-	-	-	-	-
Public safety	-	1,241,416	-	-	-	1,108,565
Public works	-	-	-	-	507,697	-
Health	-	308,683	-	-	-	-
Social services	-	-	10,355,679	-	-	-
Culture and recreation	-	-	-	765,582	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Total expenditures	15,627	1,550,099	10,355,679	765,582	507,697	1,108,565
Revenues over (under) expenditures	33,697	101,112	(4,917,860)	(710,951)	(13,094)	851,821
Other financing sources (uses)						
Issuance of refunding bonds	-	-	-	-	-	-
Premium on refunding bonds	-	-	-	-	-	-
Payment to refunding escrow agent	-	-	-	-	-	-
Transfers in	-	-	4,987,144	725,148	-	80,209
Transfers out	-	(30,000)	(8,768)	-	-	(959,817)
Total other sources (uses)	-	(30,000)	4,978,376	725,148	-	(879,608)
Net change in fund balances	33,697	71,112	60,516	14,197	(13,094)	(27,787)
Fund balances, beginning of year	176,840	120,292	301,428	114,607	352,465	397,731
Fund balances, end of year	<u>\$ 210,537</u>	<u>\$ 191,404</u>	<u>\$ 361,944</u>	<u>\$ 128,804</u>	<u>\$ 339,371</u>	<u>\$ 369,944</u>

Special Revenue Funds							
Environ- mental Health	Employment Training and Community Services	Friend of the Court	Family Independence Agency	Head Start	Inmate Concessions	Other Special Revenue Funds	Prosecuting Attorney Grants
\$ 1,610,012	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
843,516	7,551,978	3,559,895	697,872	3,794,745	-	3,780,588	1,057,931
104,365	-	224,222	-	-	-	558,826	-
8,725	-	547	-	-	-	29,243	-
3,301	-	-	-	-	9,166	40,057	-
14,185	218,183	165	-	368,624	280,166	567,432	3
<u>2,584,104</u>	<u>7,770,161</u>	<u>3,784,829</u>	<u>697,872</u>	<u>4,163,369</u>	<u>289,332</u>	<u>4,976,146</u>	<u>1,057,934</u>
-	-	5,116,001	-	-	-	1,143,690	-
-	-	-	-	-	-	2,366,641	-
-	-	-	-	-	286,127	701,428	1,253,920
-	-	-	-	-	-	93,021	-
3,610,662	-	-	-	-	-	78,504	-
-	8,397,743	-	744,725	4,586,767	-	877,744	-
-	-	-	-	-	-	30,000	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>3,610,662</u>	<u>8,397,743</u>	<u>5,116,001</u>	<u>744,725</u>	<u>4,586,767</u>	<u>286,127</u>	<u>5,291,028</u>	<u>1,253,920</u>
<u>(1,026,558)</u>	<u>(627,582)</u>	<u>(1,331,172)</u>	<u>(46,853)</u>	<u>(423,398)</u>	<u>3,205</u>	<u>(314,882)</u>	<u>(195,986)</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
990,932	595,374	1,511,400	54,880	630,931	-	430,406	184,720
-	-	-	-	(181,404)	-	(380)	-
<u>990,932</u>	<u>595,374</u>	<u>1,511,400</u>	<u>54,880</u>	<u>449,527</u>	<u>-</u>	<u>430,026</u>	<u>184,720</u>
(35,626)	(32,208)	180,228	8,027	26,129	3,205	115,144	(11,266)
<u>211,187</u>	<u>635,347</u>	<u>426,159</u>	<u>43,325</u>	<u>81,664</u>	<u>226,783</u>	<u>1,422,229</u>	<u>63,027</u>
<u>\$ 175,561</u>	<u>\$ 603,139</u>	<u>\$ 606,387</u>	<u>\$ 51,352</u>	<u>\$ 107,793</u>	<u>\$ 229,988</u>	<u>\$ 1,537,373</u>	<u>\$ 51,761</u>

WASHTENAW COUNTY
Combining Statement of Revenues, Expenditures and
Changes in Fund Balance - Nonmajor Governmental Funds (Concluded)
Year Ended December 31, 2005

	Special Revenue Funds			Debt Service Funds	
	Public Health	Sheriff's Grants	Veterans' Trust	County	Building Authority
Revenues					
Licenses and permits	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	5,211,444	565,014	15,414	456,951	40,736
Charges for services	1,342,770	68,048	-	-	-
Fines and forfeits	-	19,197	-	-	-
Investment income	-	23,116	-	2,278	1,363
Other	439,520	1	-	1	4
Total revenues	6,993,734	675,376	15,414	459,230	42,103
Expenditures					
Current:					
Judicial	-	-	-	-	-
General government	-	-	-	-	-
Public safety	-	622,832	-	-	-
Public works	-	-	-	-	-
Health	11,480,951	-	-	-	-
Social services	-	-	11,779	-	-
Culture and recreation	-	-	-	-	-
Debt service:					
Principal	-	-	-	1,464,476	1,985,000
Interest and fiscal charges	-	-	-	624,327	434,761
Bond issuance costs	-	-	-	235,176	-
Capital outlay	-	-	-	-	-
Total expenditures	11,480,951	622,832	11,779	2,323,979	2,419,761
Revenues over (under) expenditures	(4,487,217)	52,544	3,635	(1,864,749)	(2,377,658)
Other financing sources (uses)					
Issuance of refunding bonds	-	-	-	11,475,000	-
Premium on refunding bonds	-	-	-	95,406	-
Payment to refunding escrow agent	-	-	-	-	(11,336,730)
Transfers in	5,016,945	3,174	-	1,632,773	13,715,304
Transfers out	(14,832)	-	-	(11,336,730)	-
Total other sources (uses)	5,002,113	3,174	-	1,866,449	2,378,574
Net change in fund balances	514,896	55,718	3,635	1,700	916
Fund balances, beginning of year	360,573	677,675	6,123	45	12,930
Fund balances, end of year	\$ 875,469	\$ 733,393	\$ 9,758	\$ 1,745	\$ 13,846

Capital Projects		Total Other Governmental Funds
Building Authority		
\$ -	\$ 3,251,922	
-	32,045,481	
-	4,233,215	
-	61,234	
73,899	205,796	
-	3,433,829	
<u>73,899</u>	<u>43,231,477</u>	
-	6,259,691	
-	2,382,268	
-	5,214,288	
-	600,718	
-	15,478,800	
-	24,974,437	
-	795,582	
-	3,449,476	
-	1,059,088	
-	235,176	
<u>2,079,144</u>	<u>2,079,144</u>	
<u>2,079,144</u>	<u>62,528,668</u>	
<u>(2,005,245)</u>	<u>(19,297,191)</u>	
-	11,475,000	
-	95,406	
-	(11,336,730)	
185,350	30,744,690	
<u>(39,518)</u>	<u>(12,571,449)</u>	
<u>145,832</u>	<u>18,406,917</u>	
(1,859,413)	(890,274)	
<u>2,636,063</u>	<u>8,266,493</u>	
<u>\$ 776,650</u>	<u>\$ 7,376,219</u>	

WASHTENAW COUNTY
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance -
Final Budget and Actual - Nonmajor Special Revenue Funds
Year Ended December 31, 2005

	Aerial Photo			Building Services		
	Final Budget	Actual	Variance with Final Budget + (-)	Final Budget	Actual	Variance with Final Budget + (-)
Revenues						
Licenses and permits	\$ -	\$ -	\$ -	\$ 1,855,825	\$ 1,641,910	\$ (213,915)
Intergovernmental	-	-	-	-	2,288	2,288
Charges for services	80,000	41,997	(38,003)	600	1,724	1,124
Fines and forfeits	-	-	-	-	-	-
Investment income	-	7,327	7,327	-	5,292	5,292
Other	-	-	-	-	(3)	(3)
Total revenues	80,000	49,324	(30,676)	1,856,425	1,651,211	(205,214)
Expenditures						
Current:						
Judicial	-	-	-	-	-	-
General government	80,000	15,627	64,373	-	-	-
Public safety	-	-	-	1,482,257	1,241,416	240,841
Public works	-	-	-	-	-	-
Health	-	-	-	344,168	308,683	35,485
Social services	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Other	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Total expenditures	80,000	15,627	64,373	1,826,425	1,550,099	276,326
Revenues over (under) expenditures	-	33,697	33,697	30,000	101,112	71,112
Other financing sources (uses)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	(30,000)	(30,000)	-
Total other sources (uses)	-	-	-	(30,000)	(30,000)	-
Net change in fund balances	-	33,697	33,697	-	71,112	71,112
Fund balances, beginning of year	176,840	176,840	-	120,292	120,292	-
Fund balances, end of year	\$ 176,840	\$ 210,537	\$ 33,697	\$ 120,292	\$ 191,404	\$ 71,112

WASHTENAW COUNTY

Combining Schedule of Revenues, Expenditures and Changes in Fund Balance - Final Budget and Actual - Nonmajor Special Revenue Funds (Continued) Year Ended December 31, 2005

	Child Care			County Library		
	Final Budget	Actual	Variance with Final Budget + (-)	Final Budget	Actual	Variance with Final Budget + (-)
Revenues						
Licenses and permits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	4,573,359	4,406,133	(167,226)	45,980	51,025	5,045
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	1,100	3,522	2,422
Investment income	-	-	-	-	-	-
Other	1,279,783	1,031,686	(248,097)	-	84	84
Total revenues	5,853,142	5,437,819	(415,323)	47,080	54,631	7,551
Expenditures						
Current:						
Judicial	-	-	-	-	-	-
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Health	-	-	-	-	-	-
Social services	10,737,345	10,355,679	381,666	-	-	-
Culture and recreation	-	-	-	776,883	765,582	11,301
Other	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Total expenditures	10,737,345	10,355,679	381,666	776,883	765,582	11,301
Revenues over (under) expenditures	(4,884,203)	(4,917,860)	(33,657)	(729,803)	(710,951)	18,852
Other financing sources (uses)						
Transfers in	4,899,139	4,987,144	88,005	729,803	725,148	(4,655)
Transfers out	(14,936)	(8,768)	6,168	-	-	-
Total other sources (uses)	4,884,203	4,978,376	94,173	729,803	725,148	(4,655)
Net change in fund balances	-	60,516	60,516	-	14,197	14,197
Fund balances, beginning of year	301,428	301,428	-	114,607	114,607	-
Fund balances, end of year	\$ 301,428	\$ 361,944	\$ 60,516	\$ 114,607	\$ 128,804	\$ 14,197

WASHTENAW COUNTY

Combining Schedule of Revenues, Expenditures and Changes in Fund Balance - Final Budget and Actual - Nonmajor Special Revenue Funds (Continued) Year Ended December 31, 2005

	Public Works Solid Waste Program			E-911		
	Final Budget	Actual	Variance with Final Budget + (-)	Final Budget	Actual	Variance with Final Budget + (-)
Revenues						
Licenses and permits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	9,951	9,951	-	-	-
Charges for services	-	-	-	2,100,000	1,891,263	(208,737)
Fines and forfeits	-	-	-	-	-	-
Investment income	-	10,240	10,240	-	29,757	29,757
Other	392,175	474,412	82,237	36,000	39,366	3,366
Total revenues	392,175	494,603	102,428	2,136,000	1,960,386	(175,614)
Expenditures						
Current:						
Judicial	-	-	-	-	-	-
General government	-	-	-	-	-	-
Public safety	-	-	-	1,232,946	1,108,565	124,381
Public works	393,000	507,697	(114,697)	-	-	-
Health	-	-	-	-	-	-
Social services	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Other	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Total expenditures	393,000	507,697	(114,697)	1,232,946	1,108,565	124,381
Revenues over (under) expenditures	(825)	(13,094)	(12,269)	903,054	851,821	(51,233)
Other financing sources (uses)						
Transfers in	-	-	-	105,000	80,209	(24,791)
Transfers out	-	-	-	(1,008,054)	(959,817)	48,237
Total other sources (uses)	-	-	-	(903,054)	(879,608)	23,446
Net change in fund balances	(825)	(13,094)	(12,269)	-	(27,787)	(27,787)
Fund balances, beginning of year	352,465	352,465	-	397,731	397,731	-
Fund balances, end of year	\$ 351,640	\$ 339,371	\$ (12,269)	\$ 397,731	\$ 369,944	\$ (27,787)

WASHTENAW COUNTY

Combining Schedule of Revenues, Expenditures and Changes in Fund Balance - Final Budget and Actual - Nonmajor Special Revenue Funds (Continued) Year Ended December 31, 2005

	Environmental Health			Employment Training and Community Services		
	Final Budget	Actual	Variance with Final Budget + (-)	Final Budget	Actual	Variance with Final Budget + (-)
Revenues						
Licenses and permits	\$ 1,719,188	\$ 1,610,012	\$ (109,176)	\$ -	\$ -	\$ -
Intergovernmental	1,024,897	843,516	(181,381)	7,734,336	7,551,978	(182,358)
Charges for services	74,041	104,365	30,324	-	-	-
Fines and forfeits	8,926	8,725	(201)	-	-	-
Investment income	-	3,301	3,301	-	-	-
Other	24,707	14,185	(10,522)	156,020	218,183	62,163
Total revenues	2,851,759	2,584,104	(267,655)	7,890,356	7,770,161	(120,195)
Expenditures						
Current:						
Judicial	-	-	-	-	-	-
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Health	3,842,689	3,610,662	232,027	-	-	-
Social services	-	-	-	8,485,631	8,397,743	87,888
Culture and recreation	-	-	-	-	-	-
Other	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Total expenditures	3,842,689	3,610,662	232,027	8,485,631	8,397,743	87,888
Revenues over (under) expenditures	(990,930)	(1,026,558)	(35,628)	(595,275)	(627,582)	(32,307)
Other financing sources (uses)						
Transfers in	990,930	990,932	2	595,275	595,374	99
Transfers out	-	-	-	-	-	-
Total other sources (uses)	990,930	990,932	2	595,275	595,374	99
Net change in fund balances	-	(35,626)	(35,626)	-	(32,208)	(32,208)
Fund balances, beginning of year	211,187	211,187	-	635,347	635,347	-
Fund balances, end of year	<u>\$ 211,187</u>	<u>\$ 175,561</u>	<u>\$ (35,626)</u>	<u>\$ 635,347</u>	<u>\$ 603,139</u>	<u>\$ (32,208)</u>

WASHTENAW COUNTY

Combining Schedule of Revenues, Expenditures and Changes in Fund Balance - Final Budget and Actual - Nonmajor Special Revenue Funds (Continued) Year Ended December 31, 2005

	Friend of the Court			Family Independence Agency		
	Final Budget	Actual	Variance with Final Budget + (-)	Final Budget	Actual	Variance with Final Budget + (-)
Revenues						
Licenses and permits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	3,616,337	3,559,895	(56,442)	800,000	697,872	(102,128)
Charges for services	185,000	224,222	39,222	-	-	-
Fines and forfeits	-	547	547	-	-	-
Investment income	-	-	-	-	-	-
Other	-	165	165	-	-	-
Total revenues	3,801,337	3,784,829	(16,508)	800,000	697,872	(102,128)
Expenditures						
Current:						
Judicial	5,312,735	5,116,001	196,734	-	-	-
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Health	-	-	-	-	-	-
Social services	-	-	-	854,109	744,725	109,384
Culture and recreation	-	-	-	-	-	-
Other	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Total expenditures	5,312,735	5,116,001	196,734	854,109	744,725	109,384
Revenues over (under) expenditures	(1,511,398)	(1,331,172)	180,226	(54,109)	(46,853)	7,256
Other financing sources (uses)						
Transfers in	1,511,398	1,511,400	2	54,109	54,880	771
Transfers out	-	-	-	-	-	-
Total other sources (uses)	1,511,398	1,511,400	2	54,109	54,880	771
Net change in fund balances	-	180,228	180,228	-	8,027	8,027
Fund balances, beginning of year	426,159	426,159	-	43,325	43,325	-
Fund balances, end of year	\$ 426,159	\$ 606,387	\$ 180,228	\$ 43,325	\$ 51,352	\$ 8,027

WASHTENAW COUNTY

Combining Schedule of Revenues, Expenditures and Changes in Fund Balance - Final Budget and Actual - Nonmajor Special Revenue Funds (Continued) Year Ended December 31, 2005

	Head Start			Inmate Concessions		
	Final Budget	Actual	Variance with Final Budget + (-)	Final Budget	Actual	Variance with Final Budget + (-)
Revenues						
Licenses and permits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	3,598,568	3,794,745	196,177	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Investment income	-	-	-	-	9,166	9,166
Other	422,678	368,624	(54,054)	270,972	280,166	9,194
Total revenues	4,021,246	4,163,369	142,123	270,972	289,332	18,360
Expenditures						
Current:						
Judicial	-	-	-	-	-	-
General government	-	-	-	-	-	-
Public safety	-	-	-	270,972	286,127	(15,155)
Public works	-	-	-	-	-	-
Health	-	-	-	-	-	-
Social services	4,462,286	4,586,767	(124,481)	-	-	-
Culture and recreation	-	-	-	-	-	-
Other	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Total expenditures	4,462,286	4,586,767	(124,481)	270,972	286,127	(15,155)
Revenues over (under) expenditures	(441,040)	(423,398)	17,642	-	3,205	3,205
Other financing sources (uses)						
Transfers in	650,510	630,931	(19,579)	-	-	-
Transfers out	(209,470)	(181,404)	28,066	-	-	-
Total other sources (uses)	441,040	449,527	8,487	-	-	-
Net change in fund balances	-	26,129	26,129	-	3,205	3,205
Fund balances, beginning of year	81,664	81,664	-	226,783	226,783	-
Fund balances, end of year	\$ 81,664	\$ 107,793	\$ 26,129	\$ 226,783	\$ 229,988	\$ 3,205

WASHTENAW COUNTY

Combining Schedule of Revenues, Expenditures and Changes in Fund Balance - Final Budget and Actual - Nonmajor Special Revenue Funds (Continued) Year Ended December 31, 2005

	Other Special Revenue Funds			Prosecuting Attorney Grants		
	Final Budget	Actual	Variance with Final Budget + (-)	Final Budget	Actual	Variance with Final Budget + (-)
Revenues						
Licenses and permits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	4,629,102	3,780,588	(848,514)	1,530,232	1,057,931	(472,301)
Charges for services	405,748	558,826	153,078	-	-	-
Fines and forfeits	8,500	29,243	20,743	-	-	-
Investment income	-	40,057	40,057	-	-	-
Other	433,665	567,432	133,767	-	3	3
Total revenues	5,477,015	4,976,146	(500,869)	1,530,232	1,057,934	(472,298)
Expenditures						
Current:						
Judicial	1,362,838	1,143,690	219,148	-	-	-
General government	3,116,415	2,366,641	749,774	-	-	-
Public safety	1,155,536	701,428	454,108	1,714,953	1,253,920	461,033
Public works	-	93,021	(93,021)	-	-	-
Health	660,000	78,504	581,496	-	-	-
Social services	551,258	877,744	(326,486)	-	-	-
Culture and recreation	-	30,000	(30,000)	-	-	-
Other	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Total expenditures	6,846,047	5,291,028	1,555,019	1,714,953	1,253,920	461,033
Revenues over (under) expenditures	(1,369,032)	(314,882)	1,054,150	(184,721)	(195,986)	(11,265)
Other financing sources (uses)						
Transfers in	1,294,079	430,406	(863,673)	184,721	184,720	(1)
Transfers out	-	(380)	(380)	-	-	-
Total other sources (uses)	1,294,079	430,026	(864,053)	184,721	184,720	(1)
Net change in fund balances	(74,953)	115,144	190,097	-	(11,266)	(11,266)
Fund balances, beginning of year	1,422,229	1,422,229	-	63,027	63,027	-
Fund balances, end of year	<u>\$ 1,347,276</u>	<u>\$ 1,537,373</u>	<u>\$ 190,097</u>	<u>\$ 63,027</u>	<u>\$ 51,761</u>	<u>\$ (11,266)</u>

WASHTENAW COUNTY

Combining Schedule of Revenues, Expenditures and Changes in Fund Balance - Final Budget and Actual - Nonmajor Special Revenue Funds (Continued) Year Ended December 31, 2005

	Public Health			Sheriff's Grants		
	Final Budget	Actual	Variance with Final Budget + (-)	Final Budget	Actual	Variance with Final Budget + (-)
Revenues						
Licenses and permits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	5,405,058	5,211,444	(193,614)	588,377	565,014	(23,363)
Charges for services	1,039,375	1,342,770	303,395	48,000	68,048	20,048
Fines and forfeits	-	-	-	-	19,197	19,197
Investment income	-	-	-	-	23,116	23,116
Other	455,995	439,520	(16,475)	-	1	1
Total revenues	6,900,428	6,993,734	93,306	636,377	675,376	38,999
Expenditures						
Current:						
Judicial	-	-	-	-	-	-
General government	-	-	-	-	-	-
Public safety	-	-	-	646,336	622,832	23,504
Public works	-	-	-	-	-	-
Health	11,968,665	11,480,951	487,714	-	-	-
Social services	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Other	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Total expenditures	11,968,665	11,480,951	487,714	646,336	622,832	23,504
Revenues over (under) expenditures	(5,068,237)	(4,487,217)	581,020	(9,959)	52,544	62,503
Other financing sources (uses)						
Transfers in	4,993,322	5,016,945	23,623	9,959	3,174	(6,785)
Transfers out	-	(14,832)	(14,832)	-	-	-
Total other sources (uses)	4,993,322	5,002,113	8,791	9,959	3,174	(6,785)
Net change in fund balances	(74,915)	514,896	589,811	-	55,718	55,718
Fund balances, beginning of year	360,573	360,573	-	677,675	677,675	-
Fund balances, end of year	\$ 285,658	\$ 875,469	\$ 589,811	\$ 677,675	\$ 733,393	\$ 55,718

WASHTENAW COUNTY

Combining Schedule of Revenues, Expenditures and Changes in Fund Balance - Final Budget and Actual - Nonmajor Special Revenue Funds (Concluded) Year Ended December 31, 2005

	Veterans' Trust		
	Final Budget	Actual	Variance with Final Budget + (-)
Revenues			
Licenses and permits	\$ -	\$ -	\$ -
Intergovernmental	29,264	15,414	(13,850)
Charges for services	-	-	-
Fines and forfeits	-	-	-
Investment income	-	-	-
Other	-	-	-
Total revenues	29,264	15,414	(13,850)
Expenditures			
Current:			
Judicial	-	-	-
General government	-	-	-
Public safety	-	-	-
Public works	-	-	-
Health	-	-	-
Social services	29,264	11,779	17,485
Culture and recreation	-	-	-
Other	-	-	-
Capital outlay	-	-	-
Total expenditures	29,264	11,779	17,485
Revenues over (under) expenditures	-	3,635	3,635
Other financing sources (uses)			
Transfers in	-	-	-
Transfers out	-	-	-
Total other sources (uses)	-	-	-
Net change in fund balances	-	3,635	3,635
Fund balances, beginning of year	6,123	6,123	-
Fund balances, end of year	\$ 6,123	\$ 9,758	\$ 3,635

WASHTENAW COUNTY
Combining Statement of Net Assets
Nonmajor Enterprise Funds
December 31, 2005

	Property Foreclosure	Brownfield Revolving Loan Fund	Principal Residence Exemption	Total
Assets				
Current assets:				
Cash and pooled investments	\$ 1,474,174	\$ 139	\$ 18,673	\$ 1,492,986
Due from other governments	-	20,802	-	20,802
	<u>1,474,174</u>	<u>20,941</u>	<u>18,673</u>	<u>1,513,788</u>
Liabilities				
Current liabilities:				
Accrued liabilities	2,001	688	683	3,372
Interfund payable	-	20,000	-	20,000
	<u>2,001</u>	<u>20,688</u>	<u>683</u>	<u>23,372</u>
Long-term liabilities -				
Accrued compensated absences	10,954	253	-	11,207
	<u>12,955</u>	<u>20,941</u>	<u>683</u>	<u>34,579</u>
Net assets - unrestricted	<u><u>\$ 1,461,219</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 17,990</u></u>	<u><u>\$ 1,479,209</u></u>

WASHTENAW COUNTY
Combining Statement of Revenues, Expenses
and Changes in Net Assets
Nonmajor Enterprise Funds
Year Ended December 31, 2005

	Property Foreclosure	Brownfield Revolving Loan Fund	Principal Residence Exemption	Total
Operating revenues				
Charges for services	\$ 412,680	\$ -	\$ -	\$ 412,680
Intergovernmental revenue	-	27,424	-	27,424
Investment income	-	-	12,768	12,768
	<hr/>	<hr/>	<hr/>	<hr/>
Total operating revenues	412,680	27,424	12,768	452,872
	<hr/>	<hr/>	<hr/>	<hr/>
Operating expenses				
Personnel services	138,387	25,900	10,923	175,210
Contractual services	82,395	-	187	82,582
Supplies	30,185	1,524	-	31,709
Telephone	280	-	-	280
Equipment repair and rental	809	-	-	809
Other	23,849	-	-	23,849
	<hr/>	<hr/>	<hr/>	<hr/>
Total operating expenses	275,905	27,424	11,110	314,439
	<hr/>	<hr/>	<hr/>	<hr/>
Operating income	136,775	-	1,658	138,433
	<hr/>	<hr/>	<hr/>	<hr/>
Non-operating income				
Investment earnings	53,531	-	100	53,631
	<hr/>	<hr/>	<hr/>	<hr/>
Total non-operating income (expense)	53,531	-	100	53,631
	<hr/>	<hr/>	<hr/>	<hr/>
Change in net assets	190,306	-	1,758	192,064
	<hr/>	<hr/>	<hr/>	<hr/>
Net assets, beginning of year	1,270,913	-	16,232	1,287,145
	<hr/>	<hr/>	<hr/>	<hr/>
Net assets, end of year	<u>\$ 1,461,219</u>	<u>\$ -</u>	<u>\$ 17,990</u>	<u>\$ 1,479,209</u>

WASHTENAW COUNTY
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
Year Ended December 31, 2005

	Property Foreclosure	Brownfield Revolving Loan Fund	Principal Residence Exemption	Total
Cash flows from operating activities				
Cash received from customers	\$ 412,681	\$ 26,892	\$ 12,767	\$ 452,340
Cash payments to employees	(132,192)	(24,959)	(10,239)	(167,390)
Cash payments to suppliers	(137,518)	(1,524)	(187)	(139,229)
Net cash provided by operating activities	142,971	409	2,341	145,721
Cash flows from investing activities				
Investment earnings	53,531	-	100	53,631
Net increase(decrease) in cash and cash equivalents	196,502	409	2,441	199,352
Cash and cash equivalents, beginning of year	1,277,672	(270)	16,232	1,293,634
Cash and cash equivalents, end of year	<u>\$ 1,474,174</u>	<u>\$ 139</u>	<u>\$ 18,673</u>	<u>\$ 1,492,986</u>
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income	\$ 136,775	\$ -	\$ 1,658	\$ 138,433
Adjustments to reconcile operating income to net cash provided by operating activities:				
Changes in assets and liabilities:				
Due from other governments	-	(20,532)	-	(20,532)
Accrued liabilities	(4,758)	941	683	(3,134)
Interfund payable	-	20,000	-	20,000
Accrued compensated absences	10,954	-	-	10,954
Net cash provided by operating activities	<u>\$ 142,971</u>	<u>\$ 409</u>	<u>\$ 2,341</u>	<u>\$ 145,721</u>

WASHTENAW COUNTY
Combining Statement of Net Assets
Internal Service Funds
December 31, 2005

	Facilities Management Revolving	Fleet Management Revolving	Fringe Benefit Revolving
Assets			
Current assets:			
Cash and pooled investments	\$ 1,607,682	\$ 631,950	\$ 239,055
Accounts receivable	207,978	-	160,367
Interfund receivable	-	-	-
Due from other governments	465,239	-	158
Inventories	-	85,000	-
Prepaid items	79,954	-	87,700
	<hr/>	<hr/>	<hr/>
Total current assets	2,360,853	716,950	487,280
Noncurrent assets:			
Capital assets, net	-	2,017,156	-
	<hr/>	<hr/>	<hr/>
Total assets	2,360,853	2,734,106	487,280
	<hr/>	<hr/>	<hr/>
Liabilities			
Current liabilities:			
Accounts payable	-	35,431	281,153
Accrued liabilities	65,446	5,564	6,971
Interfund payable	65,000	-	-
Interest payable	1,608	-	-
	<hr/>	<hr/>	<hr/>
Total current liabilities	132,054	40,995	288,124
	<hr/>	<hr/>	<hr/>
Long-term liabilities:			
Accrued compensated absences	336,287	45,435	-
Advances from other funds	1,764,645	-	30,000
	<hr/>	<hr/>	<hr/>
Total long-term liabilities	2,100,932	45,435	30,000
	<hr/>	<hr/>	<hr/>
Total liabilities	2,232,986	86,430	318,124
	<hr/>	<hr/>	<hr/>
Net assets			
Invested in capital assets	-	2,017,156	-
Unrestricted	127,867	630,520	169,156
	<hr/>	<hr/>	<hr/>
Total net assets	\$ 127,867	\$ 2,647,676	\$ 169,156
	<hr/>	<hr/>	<hr/>

General Services Revolving	Insurance Revolving	Medical Insurance Revolving	Telephone Revolving	Worker's Compensation Revolving	Total
\$ 104,251	\$ 526,252	\$ 2,566,074	\$ 12,104	\$ 654,844	\$ 6,342,212
-	-	-	-	77,000	445,345
65,000	-	375,000	-	-	440,000
1,966	-	-	-	-	467,363
36,766	-	-	-	-	121,766
2,341	708,443	320,622	-	-	1,199,060
210,324	1,234,695	3,261,696	12,104	731,844	9,015,746
321,180	-	-	-	-	2,338,336
531,504	1,234,695	3,261,696	12,104	731,844	11,354,082
19,486	-	-	12,104	42,000	390,174
-	904,567	914,000	-	457,574	2,354,122
190,000	165,000	-	-	-	420,000
-	-	-	-	-	1,608
209,486	1,069,567	914,000	12,104	499,574	3,165,904
-	-	-	-	-	381,722
-	-	-	-	-	1,794,645
-	-	-	-	-	2,176,367
209,486	1,069,567	914,000	12,104	499,574	5,342,271
321,180	-	-	-	-	2,338,336
838	165,128	2,347,696	-	232,270	3,673,475
<u>\$ 322,018</u>	<u>\$ 165,128</u>	<u>\$ 2,347,696</u>	<u>\$ -</u>	<u>\$ 232,270</u>	<u>\$ 6,011,811</u>

WASHTENAW COUNTY
Combining Statement of Revenues,
Expenses and Changes in Net Assets
Internal Service Funds
Year Ended December 31, 2005

	Facilities Management Revolving	Fleet Management Revolving	Fringe Benefit Revolving
Operating revenues			
Charges for services	\$ 6,147,661	\$ 2,100,681	\$ 2,759,608
Operating expenses			
Personnel services	2,669,607	283,431	-
Contractual services	117,413	29,425	17,820
Supplies	492,850	627,569	-
Occupancy	2,181,364	273,038	-
Telephone	33,075	482	-
Equipment repair and rental	247,087	135,416	-
Building repair and rental	292,329	-	-
Benefit payments and insurance premiums	-	-	2,569,047
Other	1,094,290	-	136,602
Depreciation	-	606,351	-
Total operating expenses	7,128,015	1,955,712	2,723,469
Operating income (loss)	(980,354)	144,969	36,139
Nonoperating revenues (expenses)			
Interest income	109,368	33,613	7,128
Interest expense	(8,881)	(14,539)	-
Gain (loss) on sale of capital assets	-	(71,311)	-
Total nonoperating revenues (expenses)	100,487	(52,237)	7,128
Income (loss) before transfers	(879,867)	92,732	43,267
Transfers in	1,223,676	-	-
Transfers out	(476,612)	-	-
Change in net assets	(132,803)	92,732	43,267
Net assets, beginning of year	260,670	2,554,944	125,889
Net assets, end of year	<u>\$ 127,867</u>	<u>\$ 2,647,676</u>	<u>\$ 169,156</u>

General Services Revolving	Insurance Revolving	Medical Insurance Revolving	Telephone Revolving	Worker's Compensation Revolving	Total
\$ 628,339	\$ 2,098,419	\$ 16,018,011	\$ 391,320	\$ 1,006,171	\$ 31,150,210
-	236,228	-	-	109,896	3,299,162
-	708,246	10,000	-	43,658	926,562
379,950	175	-	-	374	1,500,918
-	31,134	-	-	-	2,485,536
-	10,608	-	391,320	-	435,485
85,139	-	-	-	-	467,642
-	-	-	-	-	292,329
-	1,632,219	14,823,943	-	749,924	19,775,133
-	556	-	-	-	1,231,448
126,525	-	-	-	-	732,876
591,614	2,619,166	14,833,943	391,320	903,852	31,147,091
36,725	(520,747)	1,184,068	-	102,319	3,119
2,986	4,841	99,962	-	18,399	276,297
(7,385)	-	-	-	-	(30,805)
1,525	-	-	-	-	(69,786)
(2,874)	4,841	99,962	-	18,399	175,706
33,851	(515,906)	1,284,030	-	120,718	178,825
65,000	521,000	-	-	-	1,809,676
-	-	-	-	-	(476,612)
98,851	5,094	1,284,030	-	120,718	1,511,889
223,167	160,034	1,063,666	-	111,552	4,499,922
\$ 322,018	\$ 165,128	\$ 2,347,696	\$ -	\$ 232,270	\$ 6,011,811

WASHTENAW COUNTY
Combining Statement of Cash Flows
Internal Service Funds
Year Ended December 31, 2005

	Facilities Management Revolving	Fleet Management Revolving	Fringe Benefit Revolving
Cash flows from operating activities			
Cash received from customers	\$ 653,562	\$ -	\$ 165,402
Cash received from interfund services	6,870,923	2,530,677	2,753,307
Cash payments to employees	(2,504,522)	(254,501)	(136,602)
Cash payments to suppliers	(4,572,530)	(807,040)	(2,643,724)
Cash payments for interfund services	(546,670)	(705,086)	-
Net cash provided (used) by operating activities	(99,237)	764,050	138,383
Cash flows from noncapital financing activities			
Transfers in	1,223,676	-	-
Transfers out	(476,612)	-	-
Advances from other funds	(40,588)	-	(45,000)
Net cash provided (used) by noncapital financing activities	706,476	-	(45,000)
Cash flows from capital and related financing activities			
Interest paid on long-term debt	-	(14,539)	-
Proceeds from sale of equipment	-	152,743	-
Payments for equipment acquisitions	-	(469,155)	-
Net cash provided (used) by capital and related financing activities	-	(330,951)	-
Cash flows from investing activities			
Interest on investments	100,483	33,613	7,128
Net increase in cash and pooled investments	707,722	466,712	100,511
Cash and pooled investments, beginning of year	899,960	165,238	138,544
Cash and pooled investments, end of year	<u>\$ 1,607,682</u>	<u>\$ 631,950</u>	<u>\$ 239,055</u>
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (980,354)	\$ 144,969	\$ 36,139
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	-	606,351	-
Changes in assets and liabilities:			
Accounts receivable	19,257	-	54,036
Interfund receivable	-	-	-
Due from other governments	857,522	-	(4)
Inventories	-	(21,800)	-
Prepaid items	(79,953)	-	(87,700)
Accounts payable	(8,049)	5,602	135,482
Accrued liabilities	165,085	28,928	430
Interfund payable	65,000	-	-
Deferred revenue	(137,745)	-	-
Net cash provided (used) by operating activities	<u>\$ (99,237)</u>	<u>\$ 764,050</u>	<u>\$ 138,383</u>

General Services Revolving	Insurance Revolving	Medical Insurance Revolving	Telephone Revolving	Worker's Compensation Revolving	Total
\$ 4,200	\$ -	\$ -	\$ -	\$ -	\$ 823,164
752,728	2,263,419	15,643,011	392,140	1,006,171	32,212,376
-	(236,227)	-	-	(109,896)	(3,241,748)
(504,010)	(2,046,735)	(14,819,702)	(379,216)	(705,224)	(26,478,181)
-	(43,249)	-	-	-	(1,295,005)
252,918	(62,792)	823,309	12,924	191,051	2,020,606
65,000	521,000	-	-	-	1,809,676
-	-	-	-	-	(476,612)
-	-	-	-	-	(85,588)
65,000	521,000	-	-	-	1,247,476
(7,385)	-	-	-	-	(21,924)
1,525	-	-	-	-	154,268
(123,590)	-	-	-	-	(592,745)
(129,450)	-	-	-	-	(460,401)
2,986	4,841	99,962	-	18,399	267,412
191,454	463,049	923,271	12,924	209,450	3,075,093
(87,203)	63,203	1,642,803	(820)	445,394	3,267,119
\$ 104,251	\$ 526,252	\$ 2,566,074	\$ 12,104	\$ 654,844	\$ 6,342,212
\$ 36,725	\$ (520,747)	\$ 1,184,068	\$ -	\$ 102,319	\$ 3,119
126,525	-	-	-	-	732,876
-	25,000	-	-	-	98,293
(65,000)	-	(375,000)	-	-	(440,000)
4,009	-	-	820	-	862,347
(13,802)	-	-	-	-	(35,602)
105	(41,256)	(77,759)	-	-	(286,563)
(25,644)	(948)	-	12,104	29,026	147,573
-	310,159	92,000	-	59,706	656,308
190,000	165,000	-	-	-	420,000
-	-	-	-	-	(137,745)
\$ 252,918	\$ (62,792)	\$ 823,309	\$ 12,924	\$ 191,051	\$ 2,020,606

WASHTENAW COUNTY

Combining Statement of Fiduciary Net Assets Pension and Other Employee Benefit Trust Funds December 31, 2005

	Employees' Retirement System	Money Purchase Pension Plan	Voluntary Employees Beneficiary Association	Severance Benefits
Assets				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 406,254
Investments:				
Equities	87,841,834	-	24,882,042	-
United States treasuries	1,409,168	-	335,621	-
United States treasury strips	9,105,987	-	418,041	-
United States agencies	22,466,732	-	610,570	-
Corporate securities	17,046,878	-	425,243	-
Mutual funds	5,545,675	48,454,185	6,469,724	-
Money market funds	10,304,530	-	2,571,621	-
Accrued interest and dividends	475,530	-	-	1,496
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	154,196,334	48,454,185	35,712,862	407,750
	<hr/>	<hr/>	<hr/>	<hr/>
Liabilities				
Accounts payable	88,742	-	-	-
Accrued liabilities	-	-	13,896	2,793
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	88,742	-	13,896	2,793
	<hr/>	<hr/>	<hr/>	<hr/>
Net assets held in trust for pension and health benefits	<u>\$ 154,107,592</u>	<u>\$ 48,454,185</u>	<u>\$ 35,698,966</u>	<u>\$ 404,957</u>

Unemployment Benefits	Total
\$ 407,052	\$ 813,306
-	112,723,876
-	1,744,789
-	9,524,028
-	23,077,302
-	17,472,121
-	60,469,584
-	12,876,151
1,644	478,670
<u>408,696</u>	<u>239,179,827</u>
-	88,742
<u>287,381</u>	<u>304,070</u>
<u>287,381</u>	<u>392,812</u>
<u>\$ 121,315</u>	<u>\$ 238,787,015</u>

WASHTENAW COUNTY
Combining Statement of Changes in Fiduciary Net Assets
Pension and Other Employee Benefit Trust Funds
Year Ended December 31, 2005

	<u>Employees'</u> <u>Retirement</u> <u>System</u>	<u>Money</u> <u>Purchase</u> <u>Pension</u> <u>Plan</u>	<u>Voluntary</u> <u>Employees</u> <u>Beneficiary</u> <u>Association</u>	<u>Severance</u> <u>Benefits</u>
Additions				
Investment income:				
<i>From investing activities:</i>				
Net appreciation in fair value of investments	\$ 1,373,118	\$ 1,574,121	\$ 1,866,911	\$ -
Interest and dividends	5,103,387	1,740,919	856,790	10,204
Investment management fees	(615,613)	-	(211,145)	-
Net income from investing activities	<u>5,860,892</u>	<u>3,315,040</u>	<u>2,512,556</u>	<u>10,204</u>
<i>From securities lending activities:</i>				
Gross earnings	573,288	-	-	-
Borrower rebates	(533,083)	-	-	-
Securities fees	(16,027)	-	-	-
Net income from securities lending activities	<u>24,178</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total net investment income	<u>5,885,070</u>	<u>3,315,040</u>	<u>2,512,556</u>	<u>10,204</u>
Contributions:				
Employer	2,700,525	3,276,943	6,039,693	1,080,111
Employees	615,193	2,929,866	-	-
Total contributions	<u>3,315,718</u>	<u>6,206,809</u>	<u>6,039,693</u>	<u>1,080,111</u>
Other additions	<u>-</u>	<u>15,959</u>	<u>-</u>	<u>-</u>
Total additions	<u>9,200,788</u>	<u>9,537,808</u>	<u>8,552,249</u>	<u>1,090,315</u>
Deductions				
Participant benefits	12,659,443	2,067,561	5,161,271	1,015,208
Participant refunds	32,474	-	-	-
Administrative expenses	323,660	114,772	110,212	-
Total deductions	<u>13,015,577</u>	<u>2,182,333</u>	<u>5,271,483</u>	<u>1,015,208</u>
Net additions (deductions) to net assets held in trust	(3,814,789)	7,355,475	3,280,766	75,107
Net assets held in trust for benefits:				
Beginning of year	<u>157,922,381</u>	<u>41,098,710</u>	<u>32,418,200</u>	<u>329,850</u>
End of year	<u><u>\$ 154,107,592</u></u>	<u><u>\$ 48,454,185</u></u>	<u><u>\$ 35,698,966</u></u>	<u><u>\$ 404,957</u></u>

Unemployment Benefits	Total
\$ -	\$ 4,814,150
14,084	7,725,384
-	(826,758)
14,084	11,712,776
-	573,288
-	(533,083)
-	(16,027)
-	24,178
14,084	11,736,954
392,220	13,489,492
-	3,545,059
392,220	17,034,551
-	15,959
406,304	28,787,464
288,944	21,192,427
-	32,474
-	548,644
288,944	21,773,545
117,360	7,013,919
3,955	231,773,096
\$ 121,315	\$ 238,787,015

WASHTENAW COUNTY
Combining Statement of Changes in Assets and Liabilities
Agency Fund
Year Ended December 31, 2005

	Balance January 1, 2005	Additions	(Deductions)	Balance December 31, 2005
<u>Agency Fund</u>				
Assets				
Cash and pooled investments	\$ 19,102,003	\$ 347,795,878	\$ (342,025,397)	\$ 24,872,484
Liabilities				
Undistributed receipts	\$ 19,102,003	\$ 347,795,878	\$ (342,025,397)	\$ 24,872,484

WASHTENAW COUNTY
Capital Assets Used in the Operation of Governmental Activities
Comparative Schedules by Source
December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Capital assets used in the operation of governmental funds		
Land	\$ 19,166,242	\$ 14,602,684
Buildings	110,905,094	101,444,010
Improvements other than buildings	12,701,718	11,072,065
Machinery and equipment	9,026,092	8,822,097
Construction in progress	<u>476,723</u>	<u>2,183,486</u>
Total capital assets	<u>\$ 152,275,869</u>	<u>\$ 138,124,342</u>
 Investment in general capital assets by source		
General Fund	\$ 12,766,853	\$ 12,466,175
Special revenue funds	8,960,957	7,427,988
Capital projects funds	<u>130,548,059</u>	<u>118,230,179</u>
Total investment in capital assets	<u>\$ 152,275,869</u>	<u>\$ 138,124,342</u>

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

WASHTENAW COUNTY
Capital Assets Used in the Operation of Governmental Activities
Schedule by Function and Activity
December 31, 2005

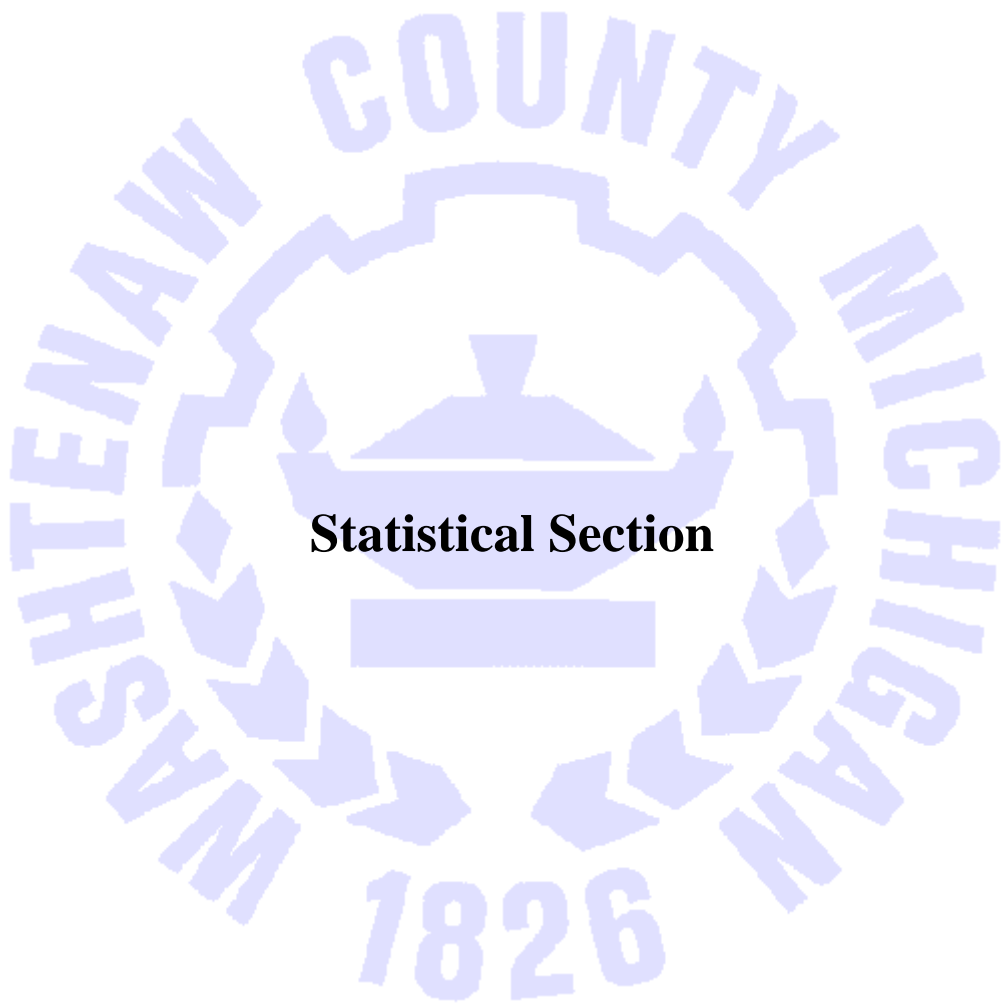
Function / Activity	Land	Buildings	Improvements Other Than Buildings	Machinery and Equipment	Construction in Process	Total
Legislative - Board of Commissioners	\$ -	\$ 1,331,593	\$ 2,356	\$ -	\$ -	\$ 1,333,949
Judicial:						
Circuit/Probate/Friend of the Court	-	6,886,854	141,954	335,088	-	7,363,896
District court	-	8,140,056	146,396	-	35,123	8,321,575
Juvenile court	-	598,928	115,190	26,118	-	740,236
General government:						
Main county building	635,133	3,756,482	1,939,001	632,956	-	6,963,572
Administration building	34,000	3,361,158	258,268	2,475,556	-	6,128,982
Service center	40,000	1,929,844	926,619	180,252	-	3,076,715
Fourth Avenue building	5,000	4,208,254	63,908	3,863,580	-	8,140,742
North Main building	-	7,054,484	32,606	8,823	-	7,095,913
Library learning resource center	-	931,215	5,410	-	-	936,625
Public safety:						
Corrections enter	-	13,855,106	8,718	588,969	-	14,452,793
Juvenile detention building	-	10,781,011	36,115	-	-	10,817,126
E-911 tower	-	-	739,413	239,557	-	978,970
Human services:						
County health programs	-	8,585,189	60,954	128,334	-	8,774,477
Mental health programs	-	270,995	25,776	154,683	-	451,454
Culture and recreation:						
Parks and recreation	15,435,961	16,504,423	7,855,565	334,629	441,600	40,572,178
County library	-	503,220	-	5,545	-	508,765
Social services:						
O'Brien center	-	175,011	15,039	-	-	190,050
Ypsilanti social services	167,661	3,902,283	136,818	16,833	-	4,223,595
Community services agency	-	-	-	35,169	-	35,169
Ann Arbor FIA building	1,435,175	2,223,345	175,066	-	-	3,833,586
Ypsilanti FIA building	912,419	3,473,998	9,873	-	-	4,396,290
Shelter - 310-318 Huron	355,093	5,990,154	-	-	-	6,345,247
Head Start building	145,800	3,180,689	6,286	-	-	3,332,775
Other agencies	-	3,260,802	387	-	-	3,261,189
Total	\$ 19,166,242	\$ 110,905,094	\$ 12,701,718	\$ 9,026,092	\$ 476,723	\$ 152,275,869

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

WASHTENAW COUNTY
Capital Assets Used in the Operation of Governmental Activities
Schedule of Changes by Function and Activity
Year Ended December 31, 2005

Function / Activity	January 1, 2005	Additions	Deductions	December 31, 2005
Legislative - Board of Commissioners	\$ 1,333,949	\$ -	\$ -	\$ 1,333,949
Judicial:				
Circuit/Probate/Friend of the Court	4,579,620	2,864,703	80,427	7,363,896
District court	7,885,012	436,563	-	8,321,575
Juvenile court	734,796	5,440	-	740,236
General government:				
Main county building	6,963,572	-	-	6,963,572
Administration building	3,618,208	2,907,670	396,896	6,128,982
Service center	2,873,624	203,091	-	3,076,715
Fourth Avenue building	8,023,815	116,927	-	8,140,742
North Main building	6,980,840	115,073	-	7,095,913
Library learning resource center	821,822	114,803	-	936,625
Public safety:				
Corrections enter	14,182,785	270,008	-	14,452,793
Juvenile detention building	10,727,177	89,949	-	10,817,126
E-911 tower	878,170	100,800	-	978,970
Human services:				
County health programs	8,514,875	259,602	-	8,774,477
Mental health programs	517,737	34,736	101,019	451,454
Culture and recreation:				
Parks and recreation	35,094,887	5,477,291	-	40,572,178
County library	508,765	-	-	508,765
Social services:				
O'Brien center	190,050	-	-	190,050
Ypsilanti social services	3,254,327	969,268	-	4,223,595
Community services agency	25,885	9,284	-	35,169
Ann Arbor FIA building	3,234,257	599,329	-	3,833,586
Ypsilanti FIA building	4,396,290	-	-	4,396,290
Shelter - 310-318 Huron	6,327,989	17,258	-	6,345,247
Head Start building	3,203,567	129,208	-	3,332,775
Other agencies	3,252,323	8,866	-	3,261,189
Total	\$ 138,124,342	\$ 14,729,869	\$ 578,342	\$ 152,275,869

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.



Statistical Section

WASHTENAW COUNTY
Net Assets by Component
Last Five Years (A)
(accrual basis of accounting)

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Governmental activities					
Invested in capital assets, net of related debt	\$ 49,634,365	\$ 53,104,933	\$ 71,844,722	\$ 70,895,205	\$ 78,322,886
Restricted	9,488,701	13,190,358	5,063,594	6,228,085	6,676,094
Unrestricted	23,994,559	25,598,647	23,447,913	51,600,695	67,505,778
Total governmental activities net assets	<u>\$ 83,117,625</u>	<u>\$ 91,893,938</u>	<u>\$ 100,356,229</u>	<u>\$ 128,723,985</u>	<u>\$ 152,504,758</u>
Business-type activities					
Restricted	\$ 6,000,000	\$ 6,000,000	\$ 9,000,000	\$ -	\$ -
Unrestricted	3,182,698	4,002,441	1,283,817	9,615,484	9,722,818
Total business-type activities net assets	<u>\$ 9,182,698</u>	<u>\$ 10,002,441</u>	<u>\$ 10,283,817</u>	<u>\$ 9,615,484</u>	<u>\$ 9,722,818</u>
Primary government					
Invested in capital assets, net of related debt	\$ 49,634,365	\$ 53,104,933	\$ 71,844,722	\$ 70,895,205	\$ 78,322,886
Restricted	15,488,701	19,190,358	14,063,594	6,228,085	6,676,094
Unrestricted	27,177,257	29,601,088	24,731,730	61,216,179	77,228,596
Total primary government net assets	<u>\$ 92,300,323</u>	<u>\$ 101,896,379</u>	<u>\$ 110,640,046</u>	<u>\$ 138,339,469</u>	<u>\$ 162,227,576</u>

(A) - Washtenaw County implemented GASB Statement No. 34 as of and for the year ended December 31, 2001. Accordingly, data prior to 2001 is not available.

Source: Washtenaw County Finance Department

WASHTENAW COUNTY
Changes in Net Assets
Last Five Years (A)
(accrual basis of accounting)

	2001	2002	2003	2004	2005
Expenses					
Governmental activities:					
Legislative	\$ 588,623	\$ 638,162	\$ 597,651	\$ 647,373	\$ 722,185
Judicial	16,940,482	18,074,212	19,584,218	21,443,309	22,588,152
General government	13,223,113	13,966,388	16,429,079	15,145,084	18,760,566
Public safety	34,060,565	36,228,288	40,927,414	42,748,613	45,341,263
Public works	1,154,023	1,413,125	2,246,625	611,126	608,029
Health	29,462,897	31,477,846	30,669,892	31,869,261	35,694,857
Social services	20,944,476	22,484,108	21,672,601	22,006,150	26,681,106
Culture and recreation	5,605,340	6,382,489	6,634,291	7,064,861	6,891,231
Other activities	4,642,941	6,062,374	6,088,589	4,036,568	4,336,497
Interest on long-term debt	1,485,302	1,791,363	1,643,952	1,273,833	1,027,653
Total governmental activities expenses	128,107,762	138,518,355	146,494,312	146,846,178	162,651,539
Business-type activities:					
Delinquent tax collection	456,868	489,348	180,046	241,083	591,362
Property foreclosure	-	-	228,598	189,756	314,439
Total business-type activities expenses	456,868	489,348	408,644	430,839	905,801
Total primary government expenses	128,564,630	139,007,703	146,902,956	147,277,017	163,557,340
Program revenues					
Governmental activities:					
Charges for services:					
Judicial	3,305,460	3,176,945	3,352,989	3,613,380	3,763,939
General government	5,365,352	5,995,338	7,406,625	6,992,302	7,572,808
Public safety	10,363,234	11,449,421	11,049,685	12,141,274	12,110,959
Public works	650,755	1,025,351	187,780	169,811	167,094
Health	4,260,570	3,627,541	3,279,950	3,504,205	4,716,287
Social services	507,997	1,219,687	359,584	1,195,278	1,031,688
Culture and recreation	2,564,996	2,601,704	2,958,441	2,823,269	3,253,314
Other activities	636,161	724,019	145,126	148,876	150,676
Operating grants and contributions	42,221,235	46,297,193	52,695,000	53,642,415	60,027,293
Capital grants and contributions	1,218,521	1,091,143	3,473,175	960,689	211,159
Total governmental activities program revenues	71,094,281	77,208,342	84,908,355	85,191,499	93,005,217
Business-type activities:					
Charges for services:					
Delinquent tax collection	2,600,927	3,435,482	2,563,993	2,398,603	2,636,271
Property foreclosure	-	-	646,920	284,980	412,680
Operating grants and contributions	-	-	-	-	27,424
Total business-type activities program revenues	2,600,927	3,435,482	3,210,913	2,683,583	3,076,375
Total primary government program revenues	73,695,208	80,643,824	88,119,268	87,875,082	96,081,592
Net (Expense)/Revenue					
Government activities	(56,932,523)	(61,300,153)	(61,585,957)	(61,654,679)	(69,646,322)
Business-type activities	2,144,059	2,946,134	2,802,269	2,252,744	2,170,574
Total primary government net expense	(54,788,464)	(58,354,019)	(58,783,688)	(59,401,935)	(67,475,748)

Continued...

WASHTENAW COUNTY
Changes in Net Assets (Concluded)
Last Five Fiscal Years (A)
(accrual basis of accounting)

	2001	2002	2003	2004	2005
General Revenues					
Governmental activities:					
Property taxes	\$ 50,424,580	\$ 56,462,144	\$ 60,406,712	\$ 82,991,160	\$ 87,864,506
Unrestricted grants and contributions	7,709,801	7,503,237	6,538,510	3,003,251	457,637
Investment earnings	4,381,595	2,387,051	1,640,730	1,512,323	2,558,336
Transfers	1,711,915	3,733,894	2,462,465	2,515,704	2,546,616
Total governmental activities	64,227,891	70,086,326	71,048,417	90,022,438	93,427,095
Business-type activities:					
Investment earnings	430,304	1,611,591	(74,699)	(515,993)	(141,666)
Transfers	(1,739,824)	(3,737,982)	(2,446,194)	(2,405,084)	(1,921,574)
Total business-type activities	(1,309,520)	(2,126,391)	(2,520,893)	(2,921,077)	(2,063,240)
Total primary government	62,918,371	67,959,935	68,527,524	87,101,361	91,363,855
Change in Net Assets					
Government activities	7,295,368	8,786,173	9,462,460	28,367,759	23,780,773
Business-type activities	834,539	819,743	281,376	(668,333)	107,334
Total primary government	\$ 8,129,907	\$ 9,605,916	\$ 9,743,836	\$ 27,699,426	\$ 23,888,107

(A) - Washtenaw County implemented GASB Statement No. 34 as of and for the year ended December 31, 2001. Accordingly, data prior to 2001 is not available.

Source: Washtenaw County Finance Department

WASHTENAW COUNTY
Fund Balances - Governmental Funds
Last Five Years (A)
(modified accrual basis of accounting)

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
General Fund					
Reserved	\$ 1,687,275	\$ 2,647,421	\$ 1,140,757	\$ 966,852	\$ 881,264
Unreserved	<u>5,759,252</u>	<u>6,290,358</u>	<u>6,323,675</u>	<u>6,940,364</u>	<u>7,465,485</u>
Total general fund	<u>\$ 7,446,527</u>	<u>\$ 8,937,779</u>	<u>\$ 7,464,432</u>	<u>\$ 7,907,216</u>	<u>\$ 8,346,749</u>
 All Other Governmental Funds					
Reserved	\$ 15,779	\$ 1,429,691	\$ 2,435,812	\$ 3,950,573	\$ 6,207,220
Unreserved, reported in:					
Special revenue funds	8,853,103	10,007,784	12,312,220	33,461,825	48,621,711
Debt service funds	13,391	12,595	12,676	12,976	15,591
Capital projects funds	<u>27,960,615</u>	<u>22,933,029</u>	<u>16,016,182</u>	<u>21,568,510</u>	<u>14,753,918</u>
Total all other governmental funds	<u>\$ 36,842,888</u>	<u>\$ 34,383,099</u>	<u>\$ 30,776,890</u>	<u>\$ 58,993,884</u>	<u>\$ 69,598,440</u>

(A) - Washtenaw County implemented GASB Statement No. 34 as of and for the year ended December 31, 2001. Accordingly, data prior to 2001 is not available.

Source: Washtenaw County Finance Department

WASHTENAW COUNTY
Changes in Fund Balances - Governmental Funds
Last Ten Years
(modified accrual basis of accounting)

	1996	1997	1998	1999	2000
Revenues					
Taxes	\$ 37,296,854	\$ 39,512,285	\$ 41,805,726	\$ 44,620,398	\$ 47,877,830
Special assessments	-	-	17,634	33,829	27,043
Licenses and permits	2,392,609	2,614,065	3,003,375	3,180,792	2,948,645
Intergovernmental	41,482,229	41,387,272	42,586,141	42,674,681	48,223,102
Charges for services	32,591,715	35,456,534	37,294,079	42,948,659	46,220,352
Fines and forfeits	1,110,814	1,134,481	1,353,128	1,355,827	1,153,337
Investment income	1,333,061	1,363,997	2,530,738	3,232,954	4,871,889
Other revenues	6,438,831	6,715,495	5,777,814	5,196,355	5,032,923
Total revenues	122,646,113	128,184,129	134,368,635	143,243,495	156,355,121
Expenditures					
Legislative	395,407	433,125	397,893	402,723	490,648
Judicial	12,685,532	15,008,775	14,946,849	15,336,297	16,507,494
General government	11,225,862	7,629,256	8,799,555	9,860,291	10,441,919
Public safety	22,172,105	26,668,838	26,570,886	28,211,509	31,702,183
Public works	1,044,859	841,693	928,240	1,031,029	1,361,687
Health	47,512,820	48,767,045	46,990,073	50,169,991	54,118,438
Social services	17,678,436	15,830,425	17,439,105	17,551,932	22,027,437
Culture and recreation	4,332,049	4,122,227	4,538,645	6,074,255	7,507,217
Other activities	2,175,112	2,274,338	1,758,783	1,649,209	2,208,163
Capital outlay	1,850,136	5,285,523	11,243,640	8,057,651	14,253,745
Debt service	4,416,423	3,981,784	4,672,761	5,350,054	4,946,028
Total expenditures	125,488,741	130,843,029	138,286,430	143,694,941	165,564,959
Revenues over (under) expenditures	(2,842,628)	(2,658,900)	(3,917,795)	(451,446)	(9,209,838)
Other financing sources (uses)					
Issuance of bonds	-	15,913,913	11,397,165	14,786,625	-
Issuance of refunding bonds	-	-	1,175,112	-	-
Payments to escrow agent	-	-	(1,175,112)	-	-
Transfers in	23,583,365	17,464,552	24,003,730	30,720,493	27,745,642
Transfers out	(19,812,866)	(18,301,249)	(20,504,796)	(22,622,907)	(22,123,359)
Total other financing sources (uses)	3,770,499	15,077,216	14,896,099	22,884,211	5,622,283
Net changes in fund balances	\$ 927,871	\$ 12,418,316	\$ 10,978,304	\$ 22,432,765	\$ (3,587,555)
Debt services as a percentage of noncapital expenditures	3.6%	3.2%	3.7%	3.9%	3.3%

Source: Washtenaw County Finance Department

Schedule 4
UNAUDITED

<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
\$ 50,424,580	\$ 56,462,144	\$ 60,406,712	\$ 82,991,160	\$ 87,864,506
-	-	-	-	-
3,062,605	3,489,426	3,417,281	3,582,066	3,413,829
51,149,556	55,289,575	55,515,317	53,442,839	56,934,228
19,605,316	20,917,283	23,770,669	23,964,870	27,153,376
1,212,956	1,043,636	1,192,646	1,846,181	1,167,872
4,098,437	2,208,254	1,498,295	1,380,964	2,282,039
4,190,175	4,347,661	7,927,593	5,588,048	5,129,028
<u>133,743,625</u>	<u>143,757,979</u>	<u>153,728,513</u>	<u>172,796,128</u>	<u>183,944,878</u>
576,886	630,172	578,996	639,574	642,291
16,525,671	17,711,346	19,154,639	20,414,926	21,176,406
11,143,730	12,287,273	14,705,178	11,651,589	12,935,801
33,799,524	36,324,964	39,767,190	41,600,021	44,163,259
1,146,764	1,410,098	2,291,765	613,201	600,718
29,038,088	31,222,165	30,148,915	31,486,496	35,254,194
20,796,935	22,350,481	21,963,095	22,412,894	26,176,952
9,190,778	9,474,501	11,120,549	10,234,930	12,382,181
2,386,345	2,204,195	3,634,853	4,223,737	4,473,369
16,120,377	13,540,717	13,085,312	5,105,824	11,795,834
4,754,044	4,850,201	5,383,800	5,078,881	4,743,740
<u>145,479,142</u>	<u>152,006,113</u>	<u>161,834,292</u>	<u>153,462,073</u>	<u>174,344,745</u>
<u>(11,735,517)</u>	<u>(8,248,134)</u>	<u>(8,105,779)</u>	<u>19,334,055</u>	<u>9,600,133</u>
-	2,947,500	-	6,365,000	-
-	-	8,856,271	7,914,167	11,570,406
-	-	(8,748,421)	(7,857,903)	(11,336,730)
23,380,841	23,132,080	24,406,361	39,613,259	44,521,956
<u>(20,642,934)</u>	<u>(21,747,483)</u>	<u>(21,173,427)</u>	<u>(36,708,800)</u>	<u>(43,311,674)</u>
<u>2,737,907</u>	<u>4,332,097</u>	<u>3,340,784</u>	<u>9,325,723</u>	<u>1,443,958</u>
<u>\$ (8,997,610)</u>	<u>\$ (3,916,037)</u>	<u>\$ (4,764,995)</u>	<u>\$ 28,659,778</u>	<u>\$ 11,044,091</u>
<u>3.7%</u>	<u>3.5%</u>	<u>3.6%</u>	<u>3.4%</u>	<u>2.9%</u>

WASHTENAW COUNTY
Changes in Fund Balances - General Fund
Last Ten Years

(modified accrual basis of accounting)

	1996	1997	1998	1999	2000
Revenues					
Taxes	\$ 34,168,564	\$ 36,186,668	\$ 38,286,244	\$ 40,865,238	\$ 43,376,837
Licenses and permits	1,402,446	1,633,865	1,992,862	2,117,549	102,966
Intergovernmental	10,150,861	8,919,571	9,445,552	9,511,542	10,704,930
Charges for services	10,000,925	9,932,938	11,103,292	11,626,324	12,410,195
Fines and forfeits	959,754	1,013,050	1,182,655	1,203,933	1,127,708
Investment income	916,079	769,134	1,041,596	1,147,169	1,287,098
Other revenues	573,387	632,400	742,603	807,741	914,803
Total revenues	58,172,016	59,087,626	63,794,804	67,279,496	69,924,537
Expenditures					
Legislative	395,407	433,125	397,893	402,723	490,648
Judicial	10,367,959	10,511,302	10,747,283	11,093,975	11,343,377
General government	7,176,706	7,481,046	8,410,232	8,666,643	9,455,488
Public safety	22,986,916	24,236,366	24,669,635	25,931,237	26,689,224
Public works	255,350	259,868	223,296	226,578	284,395
Health	-	-	-	-	-
Social services	417,072	327,285	850,991	851,513	1,055,274
Culture and recreation	559,590	572,690	576,621	606,884	643,018
Other activities	2,175,112	2,274,338	1,758,783	1,649,209	2,208,163
Total expenditures	44,334,112	46,096,020	47,634,734	49,428,762	52,169,587
Revenues over (under) expenditures	13,837,904	12,991,606	16,160,070	17,850,734	17,754,950
Other financing sources (uses)					
Transfers in	2,528,532	2,125,771	2,383,034	94,696	68,475
Transfers out	(15,819,093)	(14,612,927)	(18,109,971)	(17,078,613)	(17,447,274)
Total other financing sources (uses)	(13,290,561)	(12,487,156)	(15,726,937)	(16,983,917)	(17,378,799)
Net changes in fund balances	\$ 547,343	\$ 504,450	\$ 433,133	\$ 866,817	\$ 376,151

Source: Washtenaw County Finance Department

Schedule 5
UNAUDITED

<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
\$ 45,683,776	\$ 48,813,596	\$ 52,227,354	\$ 54,883,846	\$ 59,645,096
129,816	111,912	169,388	171,524	161,907
11,578,947	11,714,821	10,563,759	7,758,214	5,641,139
13,421,880	14,974,369	16,262,412	16,165,713	17,521,139
1,191,936	1,003,693	1,125,425	1,226,872	1,106,638
1,185,820	824,979	612,244	544,005	628,154
1,003,157	790,671	1,084,307	941,153	1,032,874
<u>74,195,332</u>	<u>78,234,041</u>	<u>82,044,889</u>	<u>81,691,327</u>	<u>85,736,947</u>
576,886	630,172	578,996	639,574	642,291
11,681,080	12,657,027	13,602,187	14,235,820	14,916,715
10,869,970	11,910,251	13,284,578	9,619,781	10,553,533
28,509,433	30,810,238	33,285,150	36,535,457	38,948,971
274,615	406,286	402,840	-	-
1,691,809	1,732,474	-	-	-
1,001,111	1,100,806	1,243,477	1,178,913	1,263,782
674,524	709,564	718,738	820,124	628,307
2,386,345	2,204,195	3,634,853	4,223,737	4,473,369
<u>57,665,773</u>	<u>62,161,013</u>	<u>66,750,819</u>	<u>67,253,406</u>	<u>71,426,968</u>
<u>16,529,559</u>	<u>16,073,028</u>	<u>15,294,070</u>	<u>14,437,921</u>	<u>14,309,979</u>
-	1,028,662	925,501	4,620,356	6,611,427
<u>(16,223,931)</u>	<u>(16,837,786)</u>	<u>(16,150,909)</u>	<u>(18,615,493)</u>	<u>(20,481,873)</u>
<u>(16,223,931)</u>	<u>(15,809,124)</u>	<u>(15,225,408)</u>	<u>(13,995,137)</u>	<u>(13,870,446)</u>
<u>\$ 305,628</u>	<u>\$ 263,904</u>	<u>\$ 68,662</u>	<u>\$ 442,784</u>	<u>\$ 439,533</u>

WASHTENAW COUNTY
Assessed and Actual Value of Taxable Property
Last Ten Years
(in thousands of dollars)

Year	Residential Property	Commercial Property	Industrial Property	Other	Personal Property	Total Assessed and Actual Value	Total Direct Tax Rate
1996	\$ 4,591,219	\$ 1,406,685	\$ 432,190	\$ 269,698	\$ 889,032	\$ 7,588,824	\$ 5.5136
1997	5,028,948	1,482,195	462,254	300,034	949,356	8,222,787	5.4967
1998	5,609,646	1,549,552	508,729	311,021	1,002,125	8,981,073	5.4963
1999	6,278,400	1,714,592	557,328	330,014	1,075,064	9,955,398	5.4957
2000	7,047,875	1,903,334	587,548	353,442	1,059,130	10,951,329	5.5197
2001	7,947,075	2,164,528	641,354	352,969	1,085,093	12,191,019	5.4759
2002	8,983,153	2,382,889	757,346	433,528	1,145,185	13,702,101	5.6772
2003	10,017,580	2,652,147	804,851	478,542	1,092,571	15,045,691	5.6186
2004	11,016,278	2,820,335	848,380	533,236	1,096,757	16,314,986	5.5819
2005	11,886,410	3,106,081	885,397	564,140	1,092,596	17,534,624	5.5493

Note: Residential, commercial and industrial values are calculated without tax-exempt values

Source: County Equalization Department figures, exclusive of Industrial and Commercial Facility Tax and prior to any Board of Review actions.

WASHTENAW COUNTY
Direct and Overlapping Property Tax Rates
Last Ten Years
(rate per \$1,000 of taxable value)

		<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
County direct rates											
Operation		\$ 4.83	\$ 4.83	\$ 4.83	\$ 4.83	\$ 4.80	\$ 4.76	\$ 4.72	\$ 4.67	\$ 4.64	\$ 4.61
County imposed and debt		-	-	-	-	-	-	-	0.49	-	-
Special voted		0.68	0.67	0.67	0.67	0.72	0.72	0.96	0.46	0.94	0.94
Total direct rate		<u>5.51</u>	<u>5.50</u>	<u>5.50</u>	<u>5.50</u>	<u>5.52</u>	<u>5.48</u>	<u>5.68</u>	<u>5.62</u>	<u>5.58</u>	<u>5.55</u>
Overlapping rates											
Cities:											
Ann Arbor		16.88	16.80	17.22	17.31	17.13	17.13	17.00	16.87	16.90	16.90
Milan		16.22	14.75	14.75	14.75	15.75	15.75	15.75	15.75	15.75	15.75
Saline		14.50	14.30	13.80	12.30	10.00	10.00	9.96	10.96	12.95	13.72
Ypsilanti		24.60	24.60	24.60	24.60	24.60	24.46	27.37	27.41	28.28	27.92
Townships (average)	(A)	2.40	2.57	2.55	2.55	2.54	2.62	2.72	2.80	2.77	2.97
Villages (average)	(B)	14.91	14.26	15.02	14.85	14.15	13.46	13.29	13.23	13.18	12.95
School districts (average)	(C)	29.14	29.47	29.21	29.72	29.82	30.15	30.16	30.15	29.39	30.22
Intermediate school district		3.43	3.43	3.43	3.32	3.16	3.13	3.11	3.07	3.46	4.04
Community college		3.06	2.93	3.90	4.10	4.03	3.99	3.97	3.86	3.83	3.77
(A) - Rates range from:											
Low		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
High		10.15	10.04	10.04	10.04	9.79	9.75	9.75	10.12	9.66	10.53
(B) - Rates range from:											
Low		10.84	10.25	10.25	10.05	10.00	10.00	10.00	10.00	10.00	10.00
High		17.15	16.84	16.89	16.69	16.54	15.74	15.30	15.67	15.27	15.28
(C) - Rates range from:											
Low		23.10	23.10	22.90	25.30	25.16	25.29	25.93	25.26	24.17	23.38
High		38.56	36.70	39.97	35.36	39.65	38.76	41.35	34.30	32.65	33.65

Source: Washtenaw County Finance Department

WASHTENAW COUNTY
Principal Property Tax Payers
Current Year and Nine Years Ago

Taxpayer	2005			1996		
	Taxable Assessed Value	Rank	Percentage of Total County Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total County Taxable Assessed Value
Pfizer Global Research	\$ 258,095,363	1	1.58%	\$ -	-	-
Ford Motor Company/Visteon	188,872,200	2	1.16%	185,100,450	2	2.62%
General Motors	169,813,650	3	1.04%	267,404,090	1	3.79%
Detroit Edison	127,851,460	4	0.78%	106,555,347	3	1.51%
Michigan Consolidated Gas	81,608,429	5	0.50%	89,379,320	5	1.27%
Briarwood Complex	71,672,300	6	0.44%	51,828,300	6	0.73%
Domino's	60,979,360	7	0.37%	40,921,620	7	0.58%
Toyota	50,535,930	8	0.31%	31,259,200	9	0.44%
Daimler Chrysler	42,107,500	9	0.26%	23,520,000	10	0.33%
Meijer Incorporated	37,203,600	10	0.23%	14,087,100	15	0.19%
Great Lakes Bank	36,463,300	11	0.22%	-	-	-
NSK Corp	33,415,990	12	0.20%	31,313,900	8	0.44%
Comcast/Media One	24,866,900	13	0.15%	-	-	-
Lake in the Woods	22,539,800	14	0.14%	14,600,000	14	0.21%
Arborland LLC	20,158,150	15	0.12%	-	-	-
Parke-Davis	-	-	-	98,078,100	4	1.39%
Johnson Controls Inc.	-	-	-	19,496,100	11	0.28%
Consumer Power	-	-	-	18,549,435	12	0.26%
Catherine McAuley, St. Joseph	-	-	-	15,123,730	13	0.21%
	<u>\$ 1,226,183,932</u>		<u>7.50%</u>	<u>\$ 1,007,216,692</u>		<u>14.25%</u>

Source: Washtenaw County Equalization Department.

WASHTENAW COUNTY

Property Tax Levies and Collections

Last Ten Years

Year	Taxes Levied for the Fiscal Year		Collected within the Fiscal Year of the Levy		Subsequent Years Collections	Total Collections to Date	
			Amount	% of Levy		Amount	% of Levy
1996	\$	38,535,786	\$ 36,524,079	94.78%	\$ 1,875,746	\$ 38,399,825	99.65%
1997		40,761,846	38,703,199	94.95%	1,945,179	40,648,378	99.72%
1998		43,164,015	40,920,859	94.80%	2,114,270	43,035,129	99.70%
1999		46,135,320	43,673,258	94.66%	2,243,851	45,917,109	99.53%
2000		49,444,080	47,151,623	95.36%	2,133,910	49,285,533	99.68%
2001		52,181,561	49,523,726	94.91%	2,350,685	51,874,411	99.41%
2002		58,269,004	55,501,885	95.25%	2,417,213	57,919,098	99.40%
2003		62,459,717	59,400,607	95.10%	2,586,635	61,987,242	99.24%
2004		65,676,479	62,650,121	95.39%	2,622,050	65,272,171	99.38%
2005		69,669,724	66,173,312	94.98%	3,031,443	69,204,755	99.33%

Source: Washtenaw County Treasurer's Office

WASHTENAW COUNTY
Ratios of General Bonded Debt Outstanding
Last Ten Years

Year	General Bonded Debt Outstanding			% of Personal Income	% of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Less: Amounts Restricted to Repaying Principal	Total			
1996	\$ 17,860,000	\$ -	\$ 17,860,000	0.20%	235.35%	\$ 60.40
1997	26,150,000	-	26,150,000	0.28%	318.02%	\$ 87.31
1998	32,550,000	-	32,550,000	0.33%	362.43%	\$ 107.50
1999	39,120,000	-	39,120,000	0.37%	392.95%	\$ 127.81
2000	40,920,000	-	40,920,000	0.35%	373.65%	\$ 126.73
2001	38,160,000	-	38,160,000	0.32%	313.02%	\$ 115.88
2002	37,690,000	-	37,690,000	0.31%	275.07%	\$ 112.73
2003	35,035,000	-	35,035,000	0.27%	232.86%	\$ 103.48
2004	38,120,000	-	38,120,000	0.30%	233.65%	\$ 112.39
2005	35,615,000	-	35,615,000	0.28%	203.11%	\$ 105.00

Source: Washtenaw County Finance Department

WASHTENAW COUNTY
Computation of Net Direct and Overlapping Debt
As of December 31, 2005

	Gross Amount Outstanding	Self-Supporting or Paid by Benefited Entity	Net Amount Outstanding
Direct debt			
General obligation tax notes	\$ 10,000,000	\$ 10,000,000	\$ -
Building authority bonds	35,615,000	-	35,615,000
Notes payable	272,658	-	272,658
Drain bonds and notes	3,539,805	3,223,193	316,612
Public Works - water and sewer debt	41,107,279	41,107,279	-
County Road Commission debt	2,480,000	2,480,000	-
	<u>\$ 93,014,742</u>	<u>\$ 56,810,472</u>	<u>36,204,270</u>
Overlapping debt			
School districts			842,467,400
Cities			138,636,685
Townships			73,143,950
Villages			6,975,000
Intermediate school district			53,124
Community colleges			54,686,935
Library			32,063,476
			<u>1,148,026,570</u>
Net direct and overlapping debt			<u>\$ 1,184,230,840</u>

Source: Washtenaw County Finance Department and Municipal Advisory Council of Michigan.

WASHTENAW COUNTY
Legal Debt Margin
Last Ten Years

Legal Debt Margin Calculation for 2005

Assessed value	\$ 17,534,623,609
Debt limit (10% of assessed value)	\$ 1,753,462,361
Debt applicable to limit - general obligation bonds	93,014,742
Legal debt margin	\$ 1,660,447,619

	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Total Net Debt Applicable to Limit as a Percentage of Debt Limit
1996	\$ 758,882,448	\$ 73,274,112	\$ 685,608,336	9.66%
1997	822,278,851	78,108,793	744,170,058	9.50%
1998	898,107,280	81,807,890	816,299,390	9.11%
1999	995,539,887	91,858,434	903,681,453	9.23%
2000	1,095,132,936	87,063,154	1,008,069,782	7.95%
2001	1,219,101,814	93,087,172	1,126,014,642	7.64%
2002	1,370,210,183	100,449,507	1,269,760,676	7.33%
2003	1,504,569,055	95,545,110	1,409,023,945	6.35%
2004	1,631,498,572	101,955,812	1,529,542,760	6.25%
2005	1,753,462,361	93,014,742	1,660,447,619	5.30%

Source: Washtenaw County Finance Department

WASHTENAW COUNTY
Demographic and Economic Statistics
Last Ten Years

Year	Population	Personal Income (thousands of dollars)	Per Capita Personal Income	Unemployment Rate
1996	295,717	\$ 8,830,184	\$ 29,130	2.30%
1997	299,503	9,251,319	29,998	2.10%
1998	302,787	9,994,082	31,971	1.90%
1999	306,073	10,710,960	33,654	1.80%
2000	322,895	11,541,043	35,594	1.60%
2001	329,308	11,774,476	35,867	2.30%
2002	334,351	12,232,147	36,794	2.90%
2003	338,562	12,869,105	38,323	3.20%
2004	339,191 (a)	12,869,105 (a)	38,323	4.30%
2005	339,191 (a)	12,869,105 (a)	38,323	3.80%

(a) Census Data not available at the time of publication.

Sources: U.S. Census Bureau, U.S. Department of Commerce
Michigan Department of Career Development Employment Service Agency
Michigan Economic Development Corporation

WASHTENAW COUNTY
Principal Employers
Curent Year and Nine Years Ago

Employer	2005			1996		
	Employees	Rank	% of Total County Employment	Employees	Rank	% of Total County Employment
University of Michigan	15,717	1	8.51%	22,596	1	14.11%
University of Michigan Hospitals	9,021	2	4.89%	8,640	2	5.39%
Visteon Corporation	5,200	3	2.82%	-		-
General Motors	4,591	4	2.49%	6,900	3	4.31%
Trinity Health	4,503	5	2.44%	-		-
Ford Motor Company	4,392	6	2.38%	6,750	4	4.21%
Pfizer Inc.	2,600	7	1.41%	-		-
Ann Arbor Public Schools	2,041	8	1.11%	1,910	9	1.19%
Eastern Michigan University	1,991	9	1.08%	1,991	8	1.24%
U.S. Government	1,973	10	1.07%	2,630	6	1.64%
State of Michigan	1,664	11	0.90%	2,118	7	1.32%
Washtenaw County	1,382	12	0.75%	1,200	11	0.75%
Borders Group	1,365	13	0.74%	1,300	10	0.81%
Standard Federal Bank	1,020	14	0.55%	-		-
ProQuest Co.	906	15	0.49%	-		-
City of Ann Arbor	812	16	0.44%	951	12	0.59%
DTE Energy Co.	690	17	0.37%	-		-
Chrysler Corporation	669	18	0.36%	574	17	0.36%
Ypsilanti Public Schools	658	19	0.36%	586	16	0.37%
Chelsea Community Hospital	638	20	0.35%	530	20	0.33%
NSK Corp. Bearing Division	530	21	0.29%	570	18	0.36%
U.S. Postal Service	488	22	0.26%	-		-
Edwards Brothers Inc.	465	23	0.25%	491	22	0.31%
Con-Way Transportation Services	450	24	0.24%	-		-
Domino's Pizza Inc.	405	25	0.22%	650	15	0.41%
Mission Health Corp.	-		-	3,698	5	2.31%
Parke-Davis Pharmaceutical	-		-	885	13	0.55%
UMI Inc.	-		-	850	14	0.53%
Gelman Sciences Inc.	-		-	541	19	0.34%
Johnson Controls Plastics Group	-		-	500	21	0.31%
Washtenaw Community College	-		-	442	23	0.28%
Great Lakes Bancorp	-		-	419	24	0.26%
Environmental Research Institute	-		-	400	25	0.25%
	64,171		34.76%	68,122		42.53%

Source: Washtenaw County Equalization Department.

WASHTENAW COUNTY
Full-Time Equivalent County Government Employees by Function/Program
Last Ten Years

Function/Program	Full-time Equivalent Employees as of December 31									
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Legislative										
Board of Commissioners	15.0	15.0	15.0	15.0	15.0	15.0	15.0	11.0	11.0	11.0
Judicial										
Circuit Court	28.1	28.1	23.1	23.1	24.5	24.5	32.8	32.8	36.9	36.9
District Court	48.6	48.6	48.6	48.6	48.6	48.6	48.3	48.3	44.0	44.0
Friend of the Court	54.0	54.0	54.0	54.0	56.0	56.0	57.0	57.0	58.0	58.0
Probate Court - Estates	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	9.0	9.0
Probate Court - Juvenile	35.0	35.0	34.5	34.5	35.5	35.5	35.5	35.5	28.9	28.9
Public Defender	20.0	20.0	19.0	19.0	20.0	20.0	22.0	22.0	22.0	22.0
General Government										
County Administration	5.0	5.0	4.0	4.0	5.0	5.0	5.0	5.0	4.0	4.0
Finance	27.0	29.0	28.0	28.0	27.5	27.5	27.0	27.0	26.5	26.5
Information & Tech Systems	31.0	31.0	34.0	34.0	43.0	45.0	42.0	42.0	35.0	35.0
Human Resources	8.3	8.3	9.3	9.3	10.3	10.3	10.3	10.3	8.0	8.0
Corporation Counsel	2.2	2.2	2.7	2.7	2.7	2.7	2.7	2.7	1.5	1.5
Equalization	13.0	13.0	14.0	14.0	14.0	14.0	14.0	14.0	14.0	14.0
Facilities Management	49.6	49.6	56.5	56.5	48.0	48.0	43.0	39.0	39.0	39.0
Emp Trng/Community Svcs	94.2	94.2	66.7	66.7	66.6	66.6	21.9	21.9	18.4	18.4
Clerk/Register	44.1	44.1	42.5	42.5	46.5	46.5	51.5	51.5	50.5	50.5
Treasurer	12.5	12.5	12.0	12.0	13.5	13.5	13.5	13.5	13.5	13.5
Drain Commissioner	10.0	10.0	16.0	16.0	19.0	22.0	22.0	22.0	23.0	23.0
Planning	6.0	6.0	6.0	6.0	9.0	9.0	13.8	13.8	18.3	18.3
Public Safety										
Prosecuting Attorney	32.7	32.7	39.8	39.8	45.0	45.0	47.0	47.0	49.0	50.0
Sheriff	261.0	261.0	273.0	273.0	283.0	283.0	281.0	281.0	284.0	284.0
Emergency Management	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Building Inspection	14.4	14.4	19.9	19.9	28.4	28.4	28.1	28.1	15.0	15.0
Public Works										
Public Works	2.5	2.5	3.5	3.5	3.0	3.0	3.3	3.3	-	-
Health										
Environmental Health	41.1	41.1	43.6	43.6	48.9	48.9	48.8	48.8	43.0	43.0
Mental Health	271.3	271.3	274.2	274.2	257.2	257.2	271.1	270.1	231.8	231.8
Public Health	70.8	70.8	75.2	75.2	80.0	80.0	90.2	90.2	67.9	67.9
Social Services										
Child Care - Juvenile	36.6	36.6	35.3	35.3	8.5	8.5	12.5	12.5	12.7	12.7
Child Care - O'Brien Center	7.0	7.0	8.0	8.0	12.0	12.0	10.7	13.7	11.9	11.9
Child Care - Detention	-	-	26.0	26.0	33.1	33.1	34.7	40.7	29.6	29.6
Children's Services	-	-	2.0	2.0	1.5	1.5	0.1	0.1	0.1	0.1
Head Start	-	-	-	-	-	-	40.0	40.0	36.5	36.5
Human Services Admin	42.0	42.0	-	-	-	-	-	-	-	-
Veterans Services	5.6	5.6	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Culture & Recreation										
Parks & Recreation	30.0	30.0	29.0	29.0	32.0	32.0	33.8	33.8	34.0	34.0
Library	4.0	4.0	4.5	4.5	6.5	6.5	7.0	7.0	11.0	11.0
County Extension	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
Total	1,340.5	1,342.5	1,342.9	1,342.9	1,366.8	1,371.8	1,408.7	1,408.7	1,302.8	1,303.8

Source: Washtenaw County Finance Department

WASHTENAW COUNTY
Operating Indicators by Function/Program
Last Ten Years

Function/Program	1996	1997	1998	1999	2000
Public Safety					
Sheriff:					
Number of incidents	-	-	-	-	57,744
Number of crash reports	-	-	-	-	7,624
Number of arrests	-	-	-	-	2,977
Number of bookings	-	-	-	-	-
Public Works					
Centerline miles of road maintained	1,535	1,546	1,554	1,565	1,570
Health					
Public Health:					
Vaccines administered	-	41,967	43,127	36,710	33,132
Number of monthly participants	4,571	4,831	4,038	4,090	3,443
Culture & Recreation					
Parks & Recreation:					
Recreation center participation	318,577	297,495	293,214	299,416	322,087
Aquatic center participation	86,435	65,869	82,818	77,155	62,647
Rounds of Golf	-	52,196	55,073	52,322	52,750
Boat Rental	963	827	864	673	738
Library:					
Total circulation	36,810	36,344	61,126	49,192	35,134
Registered individuals	1,018	986	1,241	1,165	1,161
Walk-In	1,113	868	867	920	853
Telephone calls	4,183	3,886	4,506	4,499	4,147

Source: Washtenaw County Finance Department

Schedule 16
UNAUDITED

<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
61,433	56,942	54,644	53,266	52,479
7,499	4,656	4,703	4,339	4,273
2,921	2,900	2,648	2,509	2,306
7,833	8,419	8,093	7,135	6,969
1,580	1,582	1,594	1,603	1,612
37,535	41,642	44,971	40,410	54,143
4,125	4,522	4,559	4,667	4,580
368,221	395,190	414,354	363,709	367,581
88,409	89,343	77,195	75,127	107,403
43,273	40,816	39,249	39,169	37,591
744	904	541	652	734
39,876	41,032	43,953	41,753	40,059
1,223	1,251	1,298	1,317	1,348
1,020	950	852	968	1,156
4,727	4,173	3,611	3,523	3,278

WASHTENAW COUNTY
Capital Asset Statistics by Function/Program
Last Ten Years

Function/Program	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Police										
Corrections facility capacities	285	285	285	336	332	398	356	332	332	332
Vehicle patrol units:										
Police service automobiles	100	100	100	50	60	60	82	82	85	85
Animal control	-	-	-	-	-	-	1	1	2	2
Marine safety	-	-	-	-	-	-	2	6	2	2
Jail	-	-	-	-	-	-	16	16	17	17
Motorcycles	-	-	-	-	-	-	5	12	12	12
Parks and recreation										
Parks:										
County	12	12	12	13	13	13	13	13	13	13
Natural areas	-	-	-	-	-	-	-	6	6	6
Park acreage:										
Parkland	1,117	1,117	1,117	1,158	1,256	1,376	1,376	1,438	1,438	1,647
Natural areas	-	-	-	-	-	-	-	438	715	780
Picnic areas	11	11	11	12	12	12	19	19	19	19
Historic sites	1	1	1	2	2	2	2	2	2	2
Buildings:										
Log cabins	-	-	-	-	-	-	-	-	-	1
County recreation center	1	1	1	1	1	1	1	1	1	1
Fishing structures	3	3	3	4	4	4	3	3	3	3
Pavilions	5	5	5	6	6	6	11	11	12	12
Concession	-	-	-	-	-	-	-	-	3	3
Multi-purpose	-	-	-	-	-	-	-	-	2	2
Nature cabin	1	1	1	1	1	1	1	1	1	1
Swimming beach areas	2	2	2	2	2	2	2	2	2	1
Swimming pools (in/out)	-	-	-	-	-	-	2	2	2	1
Golf Courses:										
18 hole course	1	1	1	1	1	1	1	1	1	1
18 hole disc course	-	-	-	-	-	-	-	-	1	1
Trails:										
Nature	7	7	7	7	7	13	7	7	9	9
Exercise	-	-	-	-	-	1	1	1	1	1
Multiuse	-	-	-	-	-	1	8	8	8	8
Playgrounds	-	-	-	-	-	-	6	6	6	6
Water Areas:										
Water parks	1	1	1	1	1	1	1	1	1	1
Spray play feature	-	-	-	-	-	1	3	3	3	3
Lazy river ride	-	-	-	-	-	-	-	-	1	1
Public works										
Centerline miles of county roads:										
Federal and State	180	180	180	180	180	180	180	180	180	576
Primary	517	517	520	520	521	529	529	529	542	586
Local	1,005	1,005	1,020	768	768	758	758	756	743	703
Subdivision	-	-	-	-	-	282	282	296	308	323

Source: Washtenaw County Finance Department

WASHTENAW COUNTY
Schedule of Insurance
As of December 31, 2005

Type of Coverage Name of Company	Policy Period	Premium	Description
Genesis Insurance Company	10/1/05-10/1/06	\$ 562,000	Auto, general and police legal liability of the County for bodily injury, property damage and personal injury. Limit \$5,000,000 per occurrence and \$5,000,000 aggregate. Occurrence form; \$250,000 self insured retention.
Buildings and Contents CHUBB Insurance Co.	10/1/05-10/1/06	129,483	All risk coverage on buildings and contents at replacement cost. \$142,209,444 limit \$250,000 deductible per occurrence (includes burglary). Includes perils from flood and earthquake.
Inland Marine Coverage	10/1/05-10/1/06	Included	Covers scheduled portable equipment consisting of radio and video equipment, boats and trailers, etc. All risk coverage.
Data Processing Coverage	10/1/05-10/1/06	Included	Covers data processing equipment, media and extra expense. Limit \$500,000 per occurrence.
Employee Benefit Liability	10/1/05-10/1/06	Included	Policy limit \$1,000,000 covers employees, prospective employees, former employees, or their beneficiaries, for damages sustained in the administration of employee benefits programs.
Great American Ins. Co.	10/1/05-10/1/06	9,967	Covers loss to the County caused by dishonesty or fraudulent act of an employee or failure to faithfully perform the duties or the position. Limit \$5,000,000 with \$10,000 loss deductible. All County employees covered. Public Employee Blanket Bond.
Public Officials Genesis Insurance Company	10/1/05-10/1/06	Included	Policy limit \$5,000,000 subject to \$250,000 deductible covers liability for wrongful acts, claims made form, duty to defend.
Professional Liability Hudson Insurance Co.	10/1/05-10/1/06	149,941	Covers Public Health and Mental Health operations (includes doctors) \$1,000,000 each medical incident. Deductible of \$250,000 does not include defense costs.
Boiler Machinery Policy	10/1/05-10/1/06	Included	Covers boilers and air conditioning units, broad form basis (except cast iron), including repair and/or replacement on most objects. \$1,000 deductible.
Lawyers Professional Lloyds/National Legal Aid and Defender Association	10/1/05-10/1/06 3/1/05-3/1/06	2,041 15,268	Covers Employee related issues in Public Defender's Office. Professional liability limit \$1,000,000. Disciplinary proceedings limit \$5,000. Also covers Labor Relation Attorney and Corp Counsel. Personal injury \$1,000,000/1,000,000. Disciplinary proceeding \$10,000. Subject to deductible.

Continued...

WASHTENAW COUNTY
Schedule of Insurance
As of December 31, 2005

Type of Coverage Name of Company	Policy Period	Premium	Description
Short-Term Bond Burnham & Flower of Michigan The Hartford	12/01/05-03/31/06	22,695	Bond was based on 40% of the tax levy for the County, schools and SET (State Education Tax). County is reimbursed for approximately 95% of the cost of the bond.
Judicial Liability Complete Equity Market	10/1/05-10/1/06	33,633	Covers 20 Judges, Magistrates and referees \$1,000,000 liability coverage per claim. \$2,500 deductible.
Federal Insurance Companies	10/1/05-10/1/06	11,000	Fiduciary Liability Policy for Washtenaw County covering the VEBA, MPPP and WCERS Systems with limits of \$3,000,000.
Zurich US Insurance Group	10/1/05-10/1/06	487	Provide insurance coverage for underground storage tanks with limits of \$1,000,000.
Workers' Compensation BROADSPIRE	02/01/05-02/01/06	40,443	TPA for Claims Service.
Safety National	02/01/05-02/01/06	41,695	Statutory specific excess insurance above a \$350,000 retention.
Long-Term Disability Unum Provident	Monthly	Varies	Covers all full-time regular employees. Choice of coverage is 50%, 60%, or 66 and 2/3% of monthly salary with varying elimination periods. Also covers part-time MNA employees basic coverage only
Traditional with Master Medical (MM50) Blue Cross/Blue Scheild	Monthly	Varies	Basic and Master Medical Comprehensive medical care coverage including emergency care, some out-patient treatment, and prescription co-pay. Annual deductible of \$50 (\$100 family) on Master Medical Benefits.
Comprehensive Major Medical (CMM 250) Blue Cross/Blue Shield	Monthly	Varies	A cost-sharing comprehensive medical care plan including emergency care, some out-patient treatment, prescription co-pay, and annual deductible of \$250 (\$500 family) on all covered benefits.
Dental Delta Dental Core Plan	Monthly	48.83	100% basic dental, 50% other services, 50% Prosthodontics and Orthodontic services, \$750 annual limit, \$600 lifetime for Orthodontic services.
Dental Delta Dental Retiree Plan	Monthly	61.36	100% basic dental, 50% other services, 50% Prosthodontics, no Orthodontic services, \$750 or \$1,000 lifetime.
Dental Delta Dental Premier Plan for those in Flex Benefits who choose this option	Monthly	100.09	100% basic dental, 80% other services, including sealants, 50% Orthodontics services, \$1,000 annual limit and \$1,750 lifetime for Orthodontics.
Life Insurance Unum Provident	Monthly	Varies	Covers death of employee and/or AD&D. All full-time employees with choice of coverage equal to 1 X annual salary up to 50K, 2 X annual salary up to 100K, or 3 X annual salary up to 150K. MNA Employee basic coverage (coverage up to 50K or 1 X annual salary)

Continued...

WASHTENAW COUNTY
Schedule of Insurance
As of December 31, 2005

Type of Coverage Name of Company	Policy Period	Premium	Description
Vision Care Blue Cross/Blue Shied/ Vision Service Plan (VSP)	Monthly	Varies	Vision Care option pays for certain vision care tests and supplies when obtained from a participating provider after County employee pays the provider the required co-payment amount.
Care Choices Catherine McAuley	01/01/05-12/31/05	Varies	HMO offers primary care physicians, network hospitals, affiliated pharmacies and laboratories and other providers within the particular HMO network. The employee is responsible for the co-pay amounts at the time of service. All claims are handled directly between the HMO and service provider.
M-Care University of Michigan Hospital	01/01/05-12/31/05	Varies	HMO offers primary care physicians, network hospitals, affiliated pharmacies and laboratories and other providers within the particular HMO network. The employee is responsible for the co-pay amounts at the time of service. All claims are handled directly between the HMO and service provider.

**WASHTENAW COUNTY,
MICHIGAN**

SINGLE AUDIT

For the Year Ended December 31, 2005



REHMANN ROBSON

Certified Public Accountants

WASHTENAW COUNTY, MICHIGAN SINGLE AUDIT

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WASHTENAW COUNTY, MICHIGAN
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2005

Federal Agency/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance	Expenditures
U.S. DEPARTMENT OF AGRICULTURE		
Passed through Michigan Department of Education:		
Food Commodities:		
Entitlement & Bonus Commodities 2004	10.550	\$ 3,498
Entitlement & Bonus Commodities 2005	10.550	2,312
School Breakfast Program:		
National School Lunch/Breakfast	10.553	12,731
CACFP	10.558	21,864
National School Lunch Program:		
National School Lunch	10.555	24,512
CACFP	10.558	76,395
Total Michigan Department of Education		141,312
Passed through Michigan Department of Community Health - Women, Infants and Children	10.557	556,509
Total U.S. Department of Agriculture		697,821
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
Direct Programs:		
Community Development Block Grant / Entitlement Grants	14.218	988,873
HOME Investment Partnerships Program	14.239	366,989
American Dream Downpayment Initiative	14.239	16,618
Total Direct Programs		1,372,480
Passed through SOS Community Services, Inc. - Supportive Housing Program	14.235	119,082
Total U.S. Department of Housing and Urban Development		1,491,562
		continued...

WASHTENAW COUNTY, MICHIGAN
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2005

Federal Agency/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance	Expenditures
U.S. DEPARTMENT OF THE INTERIOR		
Passed through Michigan Department of History, Arts and Libraries - Historic Preservation Fund Grants-In-Aid	15.904	\$ 25,241
U.S. DEPARTMENT OF JUSTICE		
Direct Programs:		
Violence Against Women	16.590	633,555
Local Law Enforcement Block Grant	16.592	28,477
Total Direct Programs		662,032
Passed through Michigan Department of Human Services - Juvenile Accountability Incentive Block Grants:		
Juvenile Accountability	16.523	82,707
Building Restorative Communities Grant	16.540	64,350
Federal Drug Court Grant Program	16.585	1,057
Total Michigan Department of Human Services		148,114
Total U.S. Department of Justice		810,146
U.S. DEPARTMENT OF TRANSPORTATION		
Passed through Michigan Office of Highway Safety Planning - State and Community Highway Safety - Drive Michigan Safely	20.600	85,019

continued...

WASHTENAW COUNTY, MICHIGAN
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2005

Federal Agency/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance	Expenditures
U.S. ENVIRONMENTAL PROTECTION AGENCY		
Direct Programs:		
Brownfields Assessment and Cleanup Cooperative Agreements:		
Assessment Petroleum	66.818	\$ 736
Revolving Loan Fund	66.818	21,997
Assessment Pilot	66.818	41,631
Total Direct Programs		64,364
Passed through Michigan Department of Environmental Quality:		
Indoor Radon Grant	66.032	6,259
Mallets Creek Site Design for Regional Detention	66.460	35,288
Arsenic Rule	66.468	2,063
Operator Certification	66.471	10,910
Total Michigan Department of Environmental Quality		54,520
Total U.S. Environmental Protection Agency		118,884
U.S. DEPARTMENT OF ENERGY		
Passed through Michigan Department of Labor & Economic Growth -		
Solar Photovoltaic Demonstration	81.041	60,000
Passed through Michigan Department of Consumer & Industry Services -		
Rebuild Michigan	81.119	3,365
Total U.S. Department of Energy		63,365

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WASHTENAW COUNTY, MICHIGAN
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2005

Federal Agency/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance	Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Direct Programs:		
Community Access Program	93.252	\$ 360,811
Head Start	93.600	3,685,783
		<hr/>
Total Direct Programs		4,046,594
		<hr/>
Passed through Michigan Department of Community Health:		
Tuberculosis Control Programs	93.116	15,936
Immunization Grants:		
Immunization Action Plan	93.268	135,712
Vaccine Handling	93.268	6,535
Vaccines	93.268	907,182
Centers for Disease Control and Prevention - Investigations and Technical Assistance:		
Bioterrorism - EPI	93.283	211,238
CDC Emergency Prep. - Focus F	93.283	34,877
CDC Emergency Prep. - Focus G	93.283	17,899
Medical Assistance Program:		
Care Coordination	93.778	2,732
Infant Mortality	93.778	20,228
Medicaid	93.778	66,340
QHP Medicaid	93.778	58,525
Medicaid - Full Cost (settlement)	93.778	108,902
Medicaid - Full Cost	93.778	542,348
Child Special Health Care	93.778	14,988
HIV Prevention Program -		
HIV/AIDS Counseling and Testing	93.940	81,926
Maternal and Child Health Services Block Grant:		
Local Maternal and Child Health	93.994	109,958
SIDS	93.994	4,370
Child Special Health Care	93.994	21,998
		<hr/>
Total Michigan Department of Community Health		2,361,694
		<hr/>

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WASHTENAW COUNTY, MICHIGAN
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2005

Federal Agency/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance	Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (concluded)		
Passed through Washtenaw Community Health Organization:		
Projects for Assistance in Transition from Homelessness (PATH)	93.150	\$ 124,921
Community Mental Health Services Block Grant:		
Wraparound Services Initiative	93.958	50,000
Child Respite	93.958	4,762
Cognitive Impairment	93.958	54,227
Block Grants for Prevention and Treatment of Substance Abuse - State Incentive Grant	93.959	162,043
Omnibus Budget Reconciliation Act - Preadmission Screenings and Annual Resident Reviews	93.778	352,407
Total Washtenaw Community Health Organization		748,360
Passed through Michigan Department of Human Services - Child Support Enforcement:		
Friend of the Court	93.563	3,550,876
Prosecuting Attorney	93.563	381,222
Total Michigan Department of Human Services		3,932,098
Total U.S. Department of Health and Human Services		11,088,746
U.S. DEPARTMENT OF HOMELAND SECURITY		
Passed through Michigan Department of State Police:		
State Domestic Preparedness Equipment Support Program:		
2003 SHSGP Part II Training Grant	97.004	27,428
2004 Homeland Security Grant Program	97.004	577,741
State and Local All Hazards Emergency Operations Planning		
2002 Supplemental Planning Grant	97.051	50,342
Homeland Security Grant Program:		
2005 Homeland Security Grant Program	97.067	17,381
Emergency Management Performance Grant	97.067	50,462
Total U.S. Department of Homeland Security		723,354
TOTAL FEDERAL AWARDS		\$ 15,104,138

WASHTENAW COUNTY, MICHIGAN

Notes to Schedule of Expenditures of Federal Awards

1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Washtenaw County, Michigan (the "County") and is presented on the accrual basis of accounting.

The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

2. SUBRECIPIENTS

Of the federal expenditures presented in the schedule, Washtenaw County, Michigan provided federal awards to subrecipients as follows:

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Women, Infants and Children	10.557	\$ 95,508
Community Development Block Grant	14.218	558,742
HOME Investment Partnerships Program	14.239	207,040
Violence Against Women	16.590	109,289
Community Access Program	93.252	172,726
Block Grants for Prevention and Treatment of Substance Abuse	93.959	23,341
Head Start	93.600	1,712,186
State Domestic Preparedness Equipment Support Program	97.004	50,342

* * * * *



REHMANN ROBSON

Certified Public Accountants

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

February 24, 2006

To the Board of Commissioners
of Washtenaw County
Ann Arbor, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of **WASHTENAW COUNTY, MICHIGAN**, as of and for the year ended December 31, 2005, and have issued our report thereon dated February 24, 2006. We did not audit the financial statements of the Employment Training and Community Services Fund, which represent 0.4% of the assets and 7.5% of the revenues of the aggregate remaining fund information and 0.5% of the assets and 4.2% of the revenues of the governmental activities. Also, we did not audit the financial statements of the Washtenaw County Road Commission, which represents 70.5% of the assets and 88.8% of the revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports were furnished to us, and our opinions, insofar as they relate to the amounts included for the Employment Training and Community Services Fund and Washtenaw County Road Commission, are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered **Washtenaw County, Michigan's** internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to

the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our report and the reports of other auditors noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether *Washtenaw County, Michigan's* financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests and the reports of the other auditors disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.



REHMANN ROBSON

Certified Public Accountants

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

February 24, 2006

To the Board of Commissioners
of Washtenaw County
Ann Arbor, Michigan

Compliance

We have audited the compliance of **Washtenaw County, Michigan** with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2005. **Washtenaw County, Michigan's** major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of **Washtenaw County, Michigan's** management. Our responsibility is to express an opinion on **Washtenaw County, Michigan's** compliance based on our audit.

Washtenaw County, Michigan's financial statements include the operations of the Employment Training and Community Services Fund, a special revenue fund of the County, which received \$6,899,333 in federal awards, which is not included in the accompanying schedule of expenditures of federal awards for the year ended December 31, 2005. Our audit, as described below, did not include the operations of the Employment Training and Community Services Fund because it was audited by other auditors in accordance with OMB Circular A-133.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about **Washtenaw County, Michigan's** compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on **Washtenaw County, Michigan's** compliance with those requirements.

In our opinion, *Washtenaw County, Michigan* complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended December 31, 2005.

Internal Control Over Compliance

The management of *Washtenaw County, Michigan* is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered *Washtenaw County, Michigan's* internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grant agreements caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our report and the report of other auditors noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of *Washtenaw County, Michigan* as of and for the year ended December 31, 2005, and have issued our report thereon dated February 24, 2006. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise *Washtenaw County, Michigan's* basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

We did not audit the financial statements of the Employment Training and Community Services Fund, which represent 0.4% of the assets and 7.5% of the revenues of the aggregate remaining fund information and 0.5% of the assets and 4.2% of the revenues of the governmental activities. Also, we did not audit the financial statements of the Washtenaw County Road Commission, which represents 70.5% of the assets and 88.8% of the revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports were furnished to us, and our opinion, insofar as it relates to the amounts included for the Employment Training and Community Services Fund and Washtenaw County Road Commission, is based solely on the reports of the other auditors.

This report is intended solely for the information and use of the audit committee, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Johnson". The script is cursive and fluid, with the first letters of each word being capitalized and prominent.

WASHTENAW COUNTY, MICHIGAN

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2005

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:

Unqualified

Internal control over financial reporting:

Material weakness(es) identified?

_____ yes X no

Reportable condition(s) identified
not considered to be material weaknesses?

_____ yes X none reported

Noncompliance material to financial statements
noted?

_____ yes X no

Federal Awards

Internal Control over major programs:

Material weakness(es) identified?

_____ yes X no

Reportable condition(s) identified
not considered to be material weaknesses?

_____ yes X none reported

Type of auditors' report issued on compliance
for major programs:

Unqualified

Any audit findings disclosed that are required
to be reported in accordance with
Circular A-133, Section 510(a)?

_____ yes X no

WASTENAW COUNTY, MICHIGAN

Schedule of Findings and Questioned Costs (Concluded)

For the Year Ended December 31, 2005

SECTION I - SUMMARY OF AUDITORS' RESULTS (Concluded)

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.600	Head Start
97.004	State Domestic Preparedness Equipment Support Program

Dollar threshold used to distinguish
between Type A and Type B programs: \$453,124

Auditee qualified as low-risk auditee? X yes no

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SECTION IV – PRIOR YEAR FEDERAL AWARD FINDINGS

No matters were reported.

* * * * *



REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP



March 2, 2006

To the Board of Commissioners
Washtenaw County

We have audited the basic financial statements of *Washtenaw County* as of and for the year ended December 31, 2005, and have issued our report thereon dated March 2, 2006. We did not audit the financial statements of the Employment Training and Community Services Fund, a special revenue fund of the County, nor the financial statements of the Washtenaw County Road Commission, a discretely presented component unit. Those financial statements were audited by other auditors whose reports were furnished to us.

Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under Generally Accepted Auditing Standards and OMB Circular A-133

As stated in our engagement letter dated January 3, 2006, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

In planning and performing our audit, we considered Washtenaw County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether Washtenaw County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about Washtenaw County's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on Washtenaw County's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Washtenaw County's compliance with those requirements.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we advised management about the appropriateness of accounting policies and their application. The significant accounting policies used by Washtenaw County are described in Note I to the basic financial statements.

As reflected in note III-A to the financial statements and the statistical section of the report, in 2005 the County adopted Statements of Governmental Accounting Standards (GASB Statements) No. 40, *Deposit and Investment Risk Disclosures*, and No. 44, *Economic Condition Reporting: The Statistical Section*. The effect of implementing these new standards did not result in the restatement of beginning net assets/fund balances.

We noted no transactions entered into by Washtenaw County during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the liability for uninsured risks of loss, including incurred but not reported claims, which are accounted for in certain of the County's internal service funds and for which the County utilizes the services of an independent third-party risk management consultant to estimate the liability. We relied upon the work of the third-party expert in determining that the liability is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the collectability of accounts receivable from third party payers for health and mental health services rendered by the County. We evaluated the key factors and assumptions used to develop the allowances for uncollectable accounts in determining that they are reasonable in relation to the basic financial statements taken as a whole.
- Management's estimate of the original cost and accumulated depreciation of infrastructure capital assets for the Drain Commissioner is based on data derived from certain prior year audit reports. We evaluated the key factors/assumptions used to develop the original cost and accumulated depreciation of the infrastructure capital assets in determining that they are reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the useful lives of depreciable fixed assets is based on the length of time it is believed that those assets will provide some economic benefit in the future. We evaluated the key factors and assumptions used to develop the useful lives of those assets in determining that they are reasonable in relation to the financial statements taken as a whole.

Significant Audit Adjustments – None

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the County's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or not by the County, either individually or in the aggregate, indicate matters that could have a significant effect on the County's financial reporting process.

Disagreements with Management - None

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants - None

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Washtenaw County's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit - None

We encountered no difficulties in dealing with management in performing our audit.

This letter is intended for the use of the Board of Commissioners and management of Washtenaw County, the State of Michigan, and respective federal and state grantor agencies. However, this report is a matter of public record and its distribution is not limited.

Very truly yours,

A handwritten signature in black ink, appearing to read "Lehmann Johnson", is positioned below the "Very truly yours," text.